NATIONAL BUSINESS REVIEW

60cents

Volume 9, No. 41 (Issue 358) October 31, 1979

Justice Department draws insurance creditor flak

by Ray Mazengarb

CREDITORS of R Tether (Insurances) Ltd are complaining about the Justice Department's handling of the affair — and some say they are now even less hopeful of recouping their losses than ever.

Some say they were not notified of the creditors' meeting, held on October 12. Others were advised, but say that notice was so short it barely left them time to lodge a proof of debt, let alone get to Auckland in time for the meeting.

When R Tether (Insurances) Ltd was put into liquidation by the Justice Department, an estimated $300,000 worth of insurance claims had not been met.

Some of those left out in the cold are claiming that insurance companies have closed ranks while other creditors' interests are being neglected.

They complain that correspondence from the Justice Department's Commercial Affairs division has been scanty.

One lawyer has written to the official assignee at Auckland to request details on the winding up of R Tether (Insurances).

The liquidator, Francis Peter Evans, on the other hand, said last week he had no doubts that the Justice Department files were incomplete regarding creditors or those with possible claims against the company.

But he said the meeting had been publicised. Claimants could have gone to the meeting if they had wanted.

He said the department had notified all creditors who were on their lists — which had been compiled with the co-operation of the broking company.

In the months before the Tether company's problems came to public light (NBR August 8, 15, 22, 29), rumours of unpaid insurance claims were sweeping the industry.

But insurance companies would say nothing publicly.

The Justice Department investigated the affair in silence, confirming its interest in the Tether company much later.

The official assignee in Auckland was appointed provisional liquidator for Tether (Insurances) following the department's drawn-out investigations.

The company was wound up under an order dated September 12.

Some creditors say they had been told they would be informed of all developments, and when they would be required to lodge proof of debts.

But some of them say that when the creditors' meeting was held on October 12, they were unprepared.

Others made it to the meeting, or had someone there to represent them.

Between 50 and 70 people were present — too many for the meeting room.

The official assignee was confirmed as liquidator and a committee of inspection nominated.

Names put forward for the committee of inspection were: Maurice Monahan, of Universal Guarantee Assurance; David Goss, of Lombard Insurance; Warren Garner, of Phoenix Insurance.

The solicitor for Russell Tether asked for Tether to be added to the committee, sources say.

One lawyer who attended the meeting on his client's behalf wrote back: "However the feeling of the creditors did not support this, and the names are being submitted to the Supreme Court for approval".

It is understood the three insurance companies are owed money by Tether (Insurances).

Some people with claims against Tether were present. Others contacted later by NBR said they had received no notice of the meeting.

Sources say Russell Tether gave a speech before the meeting, blaming the commercial affairs division for winding him up before he could put his house in order.

He also blamed Hugh Fagan, a broker who had written to clients dissociating himself from Tether (Insurances).

The insurance companies and the official assignee declined to give NBR a statement of affairs of Tether (Insurances).

We were informed the statement and the list of creditors were not public documents.

The statement was produced by Tether for the meeting. It shows liabilities of $105,203 against assets of $61,000. Deficiency as regards shareholders is put at $54,103.

The statement refers to one secured creditor, three preferential creditors, one partly secured creditor and 19 unsecured creditors.

Sealord Products Limited, of Nelson, insured its entire fleet with Tether Insurances — an estimated $3 million worth of property.

But it did not receive direct notice of the creditors' meeting.

Sealord also had an interest by way of chattel securities over boats owned by independent fishermen in both the Nelson and Bluff areas.

Some of the private boats sank and the claims were not met. That left Sealords tens of thousands of dollars out of pocket.

General manager R Snow said the notice of the meeting went to Blick Nichol Ltd, Wellington brokers.

Blick Nichol referred insurance business to Tether (Insurances) and was later cited as first defendant in a claim for more than $100,000 originating from the Bluff area.

The Wellington firm sent notice of the meeting to Sealords just four days before the creditors' meeting.

"It was cutting it a bit fine to lodge a proof of debt", Snow said.

He mentioned another boatowner who had received no notice.

"The official assignee should have been aware of these people", he said.

Most people he knew who had a claim found out about the meeting "through the grapevine".

Sealords solicitor contacted lawyers further south to let them know and inform their clients who had claims.

One lawyer says he was "upset" to find out that way.

Sealords' representative at the meeting said the meeting finished so abruptly that half the creditors did not realise it was over. They did not get a chance to lodge their questions, he claimed.

An Invercargill solicitior, asked what happened at the creditors' meeting, replied: "What creditors' meeting?"

The official assignee had notice of his client's (now deceased) claim but the lawyer had received no word of the meeting, nor a statement of affairs, he said.

He suggested he was not notified because the claim had yet to be quantified, but the estate would now have to reconsider its position.

The only correspondence he had from the Justice Department was dated three days after the creditors' meeting, when the official assignee was confirmed as liquidator.

It said the London-based company through which Tether (Insurances) had passed business denied responsibility for the claims and "it is the intention of the official assignee if he is appointed liquidator to apply to the court for directions as to the relationship between R Tether (Insurances) Ltd and Commodore General Insurance Co Ltd".

The lawyer wrote back requesting information on the winding up of the company and asking when a liquidator would be appointed and who it would be.

At the request of the lawyer, NBR provided the information.

Another lawyer from the area confirmed he had not heard of the meeting from the Justice Department and was not up-to-date with the situation.

The affair had dragged on too long, he said.

But he said he was hopeful his client would recoup his losses eventually because the claim is also against a Wellington broker.

The general feeling of creditors seems to be that many creditors have not yet been taken into account and that there may be many more outstanding claims.

Meanwhile another company remains on the company office files: Global and Marine Insurance Brokers Ltd, incorporated in 1974 with a nominal capital of $100.

Directors at July 11 this year were Wendy and Russell Tether.

Sharebrokers are listed as Russell Tether and R Tether (Insurances) Ltd, and the registered office is the same as that of R Tether (Insurances).

Company files disclose no record of the company being wound up.

NATIONAL Business Review's reporter in Auckland, Warren Berryman, has moved. He can now be contacted in the Levine Building, Corner St Paul and Airedale Street, Auckland 1, telephone 790304.

NBR switches to Monday publication

FOR some time now the publishers of National Business Review have been concerned about the distribution of the newspaper. From next week the paper will change its publishing day from Wednesday to Monday.

With the decision of National Business Reviews' printers R Lucas and Son, to set up a new plant at Paraparaumu, the paper will be able to vastly upgrade its publishing deadlines.

Where previously the paper was printed in Nelson and suffered from delays in mail delivery from that centre, the paper will now be printed Friday afternoon, go immediately into the mail and, we are assured, will be on readers' desks each Monday.

Some more remote rural areas may not achieve quite the same delivery but the publishers understand from the Post Office that all copies should be delivered by Tuesday at the latest.

The publishers are delighted to be able to announce this improved service and feel certain that readers will appreciate receiving their copies on Monday to begin their working week with a thorough coverage of the previous week's business, economic and political news.

Inside:

Registered at Post Office Headquarters as a newspaper

Three years hard – or old wine in new bottles

by Colin James

DO YOU want three years hard Labour? Last week I came across three people who said they did.

MPs Michael Bassett and David Caygill and Ken Douglas, leader of the working masses, argued that "New Zealand needs three years hard Labour" in a debate to mark "Labour week", the Labour Party's latest consciousness-raising device.

Bassett wanted to save erring New Zealanders from recidivism with a sentence much longer than three years.

Douglas, with characteristic gentle humour and quiet logic, argued for the "dignity of labour" (spelt, I think, with a small "l") against the "illusion that labour can still be exploited".

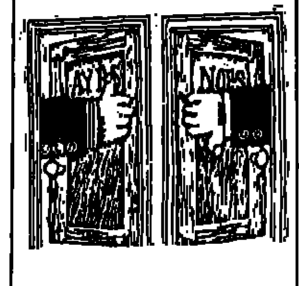
Caygill acknowledged that there was "nothing harder (about Labour) than trying to understand our philosophy. We keep trying to find it but it keeps running away from us" — a problem Douglas does not seem to have.

"Debates" of the English Speaking Union sort are, of course, not the place to go for serious discussion.

They are a peculiarly upper class British invention, a diversion ideal for idle rich and high-born who wanted something more apparently intellectual than charades. At least debaters can learn posture and postulation.

The artificial artfulness of the "debate" was nowhere better demonstrated than in an Oxford Union debate of the 1960s on a question to the effect that "this motion be defeated", which allowed both sides to argue both cases at once.

And so it might have been in this debate. As opposing speaker Jumping-bean Jim Hopkins jibed, the gloomy, puritanical doom-laden message of "hard" Labour — purportedly espoused by Bassett and Co and endemic in some, perhaps most, parts of the labour movement — is scarcely the inspirational "strength through joy" needed to carry us into the 1980s with hope and enthusiasm.



POLITICS

(Incidentally, Hopkins' torrential tumbling out of witticisms, aphorisms, spoonerisms, scintillisms, neologisms, schisms and prisms malaprop-riately punted out how pitifully television has used his ticklish and titillating talents. Unhyphenated, Hopkins could pull ratings of 110 per cent at least.)

Labour's problem is an at best blurred vision of the 1980s for the people to look at.

The problem behind that problem is the visionary. However well chairman Bill Rowling comes across to the faithful — who have a genuine affection for him — he is not getting across to the masses. His eclipse by Bruce Beetham in the Heylen poll is no accident.

But this masks a developing leadership internally in the party. I refer to president Jim Anderton.

Anderton has the important leadership quality of infectious enthusiasm.

As no other president since Rowling at the beginning of the decade, Anderton has been getting round the branches, talking goals, targets, tactics and philosophy.

Up till a few weeks ago he had been to 45 electorates since his election in May, attended six regional council meetings and talked with six trades councils.

He had set out on a one-man fund-raising circuit of New Zealand business, seeing three or four a week. Sixty down and 300 to go was the count a few weeks back — discussing their needs and opportunities and wheedling money.

"I have been getting the kind of response (from businesses) in a non-election year that we normally get in election year," he says.

Anderton is also doing the rounds of the unions, at times turning out at 7 am to talk to workers.

So far he has been round "seven or eight" major unions. He scored a minor coup when he opened the Auckland conference of his old antagonist, the Engineers Union.

It is perhaps in union-party relations that he has made his most publicly visible impact, marching with them in May in protest, supporting them publicly in complaints on wage-fixing and other Government interference, backing the national stoppage.

He has got the Joint Council of Labour meeting again. When Sir Tom Skinner — bemedalled last week with a party gold badge — ran the Federation of Labour, relations were frosty, even at the formal joint council level. A more sympathetic Jim Knox has improved matters.

The result has been better relations between the parliamentary leadership and the unions, particularly evident during the drivers dispute.

Once the parliamentarians would have found a hundred reasons — all based on the (reasonable) belief that the average New Zealander doesn't like unions — for fence-sitting on the national stoppage. This year MPs felt they "had no choice": healing of internal divisions in the labour movement prevailed over electoral sensitivities.

MPs are being given precious little choice in other arenas which they once controlled.

Like his counterpart in the National Party, Anderton is bringing marginal seats strategy under his wing, through a committee chaired by the able and politically astute Helen Clark.

Starting more than two years out instead of less than a year out from the election, that committee has identified pressure points and aims to get an organisation — and a long-term strategy — together in each key electorate.

The party will use market research techniques and other basic tools of modern politics like a policy research team and an education unit.

An education committee under John ("Mr Ann") Hercus has started producing material for background discussion to ease the party away from half-baked branch remits as a policy formation mechanism towards a think-tank approach drawing on outside expertise the party has largely shunned in the past.

Under the old system, because remits were fragmented and often contradictory, in effect the policy council (itself dominated by MPs) used to endorse what MPs thought up, some of them from not much more than navel-gazing exercises. In future MPs will at best have a veto.

Anderton, in other words, is trying to democratise, and through that mobilise, the party.

And sharpen the administration. "Letters now get answered", as one union party man says. Decisions get actioned.

Little of this subterranean flurry of activity, this organisations restructuring, is visible yet. Primarily it has been aimed at improving morale and making the ... function better, lay... underpinning for the ... campaign.

Anderton himself, ... has been highly visib...

Sometimes he has be... little too visible — like ... he was working on the ... paper to go to MPs, ... the intrigue of a fellow ... passenger who got an ... ficial preview of the ... set out on the vacan... between them.

His high profile ... other problems. At ... recently, mayor ... Brown introduced Row... leader of the Opposition ... Anderton as leader of ... Labour Party.

His speed is also ... feathers and raising ... hackles among conserv...

Both he and Rowling ... example, are though... let it be known that they ... number of older MPs ... new blood in, ... prompted some ... round that Anderton ... and is trying to line ... buddies for the vacan... charge he vigorously ...

"We are encour... everybody to look at ... for high calibre cand... he says, pointing out ... church Central as a ... is trying to set up pro... that will bring good ... out of the woodwork ... advance of next ... selection round and red... chance of deadheads ... chosen.

The pace Anderton is ... in the organisation may ... rubbing off ... parliamentary party. ... has picked up in the ... couple of months.

Mainly through the ... assertiveness of new ... some of whom have ... caucus committee ... manships — the par... become more aggressive ... House.

On two recent occa... has had the Gover... unaccustomedly ... defensive.

When I wrote, ... about the parliam... Labour Party a cou... months ago (NBR, Aug ... an MP who conceded ... "every word was true" ... that it would all start to ... right in October.

It is too early to say ... he was right. Almost ... what I wrote then still ... and the improvement ... organisational level have ... to be fully tested ... membership numbers, ... and propaganda success...

But it is my turn to ... to him that there are ... grounds for his optimism.

There was certainly ... timism at the lavish "La... week" dinner in Well... last week — earnest ... for Rowling, admiration ... Martyn Finlay and ... of old "Nordy", the last of ... thirty-fivers.

There was not ... evidence of "hard" La... that night. But I'm still ... for an explanation why ... preferred the white wine ... red.

IN my August piece I ... tioned that Eddie Isbey ... nearing the end of ... parliamentary career ... assumption I based on ... mistaken belief that there ... still a party rule limiting ... age of candidates.

I did thereby an injustice ... Isbey, whose fitness and ... life, including a more ... spokesman's role, ... age.

Private wool deals threaten auction system

by John Draper

WORRIED wool brokers fear the end of the traditional auction system as farmers flock to private buyers.

For every four bales going under the auctioneer's hammer one is being sold straight from the woolshed, a 30 per cent increase in private selling in two years.

Leading brokers expect the trend to continue this season.

Ron Trotter, chairman of Challenge Corporation Ltd, whose subsidiary, Wrightson NMA, is the largest woolbroker handling 35 per cent of the clip sold at auction, says private selling is reaching a volume that could undermine the market.

"It has always been the Wool Board's policy to give the farmer the freedom of choice as to how he sells his wool and if this policy is to remain, it is no longer practical, effective or fair to control one form of marketing and not the other," he said.

By speaking out now, Trotter wants to spur the usually conservative industry into action.

"If the board maintains its traditional policy of controlling the rate of sale then it must bring every form of selling under control and it can only justify that by offering better returns to farmers," he said.

Alternatively the board could opt out of control completely, allowing auctioneers to hold more frequent sales to suit farmers' requirements, the direction Wrightson's favour.

As more farmers leave the auction fold, the orderly system of marketing developed by the trade and the Wool Board together is in *danger of* collapse, creating "potholes" — unaccountable slumps on the market.

Private sales have grown rapidly. In the season ending June, 1977, 1.3 million bales were sold at auction and 300,000 by private sale.

A year later auction sales had increased marginally while private sales climbed to 333,000. Last season the figures were 1.322 million and 406,000.

One scenario plotted by some industry sources, knowing that Prime Minister Rob Muldoon has spoken in favour of compulsory acquisition, comes into play when the inevitable downturn in the present high prices appears.

PRIMARY INDUSTRY

Then, it is argued, there will be strong pressure for the board to step in and buy up the clip, which with its current high liquidity and low stocks, it will be in a position to do.

And as prices continue to slide, the board might approach Government for the extra finance. The quid pro quo demanded will be compulsory acquisition dressed up in some form of "voluntary pooling scheme".

South Africa's successful compulsory acquisition scheme is being held out as the one to follow.

All wool produced is sold to the South African Wool Board which immediately pays to the farmer 70 per cent of the anticipated market price.

The balance is paid at the season's end.

The board sells by auction and acts as a buyer of last resort on unsold stocks which are valued at average price for that grade.

One agent acts for the board on most of its dealings, a position that some industry sources already claim Wrightson's is already working towards by its growing volume of private buying.

Trotter says Wrightson's buying "is purely defensive".

"Someone is going to buy this wool. All we are trying to do is keep it honest," he said.

"We do not canvass the business, we only deal with our own clients on request."

Wrightson's is also keen to keep a grip on farmers income, particularly of those who have large advances from the firm. Loans by stock and station agents to farmers are at a round $275 million.

Staff had been instructed that the company fully supported the auction system, Trotter said.

As the largest auctioneer, Wrightson's handles around 500,000 bales of wool a year.

Trotter says private buying is less than 10 per cent of the auctioned quantity.

Private selling usually rides on the back of wool prices following the ups and downs in prices.

The governing factor is export demand.

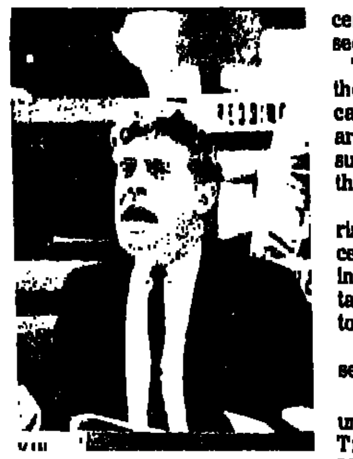
But the level is now higher than ever before, due in part to the farmers determination to pass many of the costs back up the chain.

Interest rates are a prime factor.

Farmers using the auction system must wait at least two months for payment and six is not unknown.

And with interest rates on overdrafts reaching 1¼ per cent a month, the bill on a $100,000 clip is expensive. Selling privately the farmer can be reasonably sure of being paid within days.

But auction prices still govern what the farmer gets. Private dealers normally use an average based on the most recent auctions discounted to somewhere above the net auction return.



TRADITIONAL SALE ... brokers fear end.

The dealer earns his living from selling at below auction prices to wool scourers or directly to exporters.

Private selling is likely to get a further boost this week if the Commerce Commission grants the Woolbrokers Association a modest 7 per cent increase in charges it is seeking.

The application is based on the falling return on brokers' capital investment, an argument which the breweries successfully pioneered before the commission in 1976.

The application follows two rises in 1978, the first for 12 per cent in January and the second in November for 21 per cent, taking the consolidated charge to 6.127 cents a kilo.

Farmers also pay for "extra services".

The application will not go unopposed. The Examiner of Trade Practices, Alan Monaghan, is expected to report on the brokers collective pricing agreement and the lack of competition, a point that is almost certain to be raised by Federated Farmers.

The Commerce Commission has already ruled that the agreement is to fix maximum prices only, in an unsuccessful bid to stimulate competition.

The Wool Board claims it is already looking at the threat to the auction system highlighted by Trotter through the Wool Auction Sales Committee.

The committee consists of brokers, buyers and the board as farmers' representatives.

Separation selling is a solution favoured by brokers on the committee.

Scientifically tested samples separated from a bale are already used for 60 per cent of sales at Wiri in Auckland, and up to 40 per cent in Wellington and Napier.

Nationally about 15 per cent of the clip is sold by separation.

There are technical problems to be solved on some grades before separation selling can become more widespread.

But when it does there are likely to be only two auction centres, Wellington and Christchurch.

Then it will be possible to schedule sales of smaller lots several times a week, cutting selling costs and getting the proceeds back to the farmer quicker.

EDITORIAL

WITH but a few weeks to go before we enter the 1980s, the future which was the preoccupation of the Planning Council when it was set up is fast becoming the present.

The Planning Council was anxious to involve people in planning, appreciating the need for popular acceptance of what would be critical decisions in shaping the country's development. Alas, its concern to involve the public is being pre-empted by a Government which has its own ideas of where the country must go and the means by which we must travel.

The Planning Council had talked of developing more efficient industries. It did not specify them — but did emphasise employment aspects. In contrast, the Government perceives that the greatest scope for industrial growth lies in the natural resources sector, and in energy-intensive and technology-intensive development.

Exploitation of the Maui gas is top priority, naturally enough, for a Government which aims to make the country 50 per cent self-sufficient in liquid fuels by 1985.

Energy is top of the Government's list, but fishing, forestry, tourism and processing industries based on agriculture are also in line for expansion.

The lead time is considerable, but the Government hopes to see some of the big energy-based projects come on stream by the mid-1980s — just five years away.

One problem is an army of bureaucrats in a plethora of agencies at central and local government level, backed up by an arsenal of regulations and requirements which thwart potential investment and progress.

The projects will involve several hundred millions of dollars, which means encouraging overseas investment.

The Government's avowed policy is to welcome investors. It has set up an investment unit aimed at helping investors (either local or foreign).

But jingoism remains. Labour's Warren Freer — urging greater involvement in the hotel business in big cities by the Hotel Corporation — accused the Government of selling out the tourist industry to overseas interests.

A bigger hurdle encouraging the right investment for the right developments on the right terms is the Government's own track record.

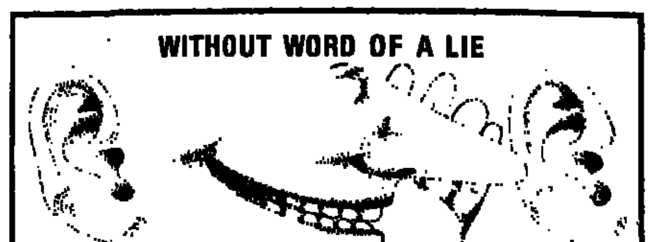
The West Germans considered labour relations important for an investor, but found industrial relations here unattractive. The Government has aggravated that problem through its attacks on trade union personalities and its provocative interventions in the wage-bargaining process.

Then it introduced the National Development Bill to streamline procedures and minimise costly delays. But any public sympathy for the streamlining concept threatens to be lost if the Government fails to compromise enough on the more contentious aspects of its planned legislation. So, surely, public empathy for the development programme will evaporate.

The Prime Minister asserted earlier this year: "*What I will not do is obstruct the progress of this country to gratify the whims of a minute minority who want New Zealand to be the way they like it.*" But without popular support for schemes deemed to be of national importance, the Government will be forcing New Zealand the way it wants it.

Bob Edlin

WITHOUT WORD OF A LIE



MALE chauvinism appears to be alive and well in the business community — at least in Auckland.

At a recent seminar on "Women in management" organised by Auckland University 100 women and 10 men turned up.

That alone may be some indicator of how much convincing women may have to do in the business world.

But the fact that only 15 women had their expenses and salaries paid to attend, reinforces the view.

The other 85, apparently, took days off, either unofficial or unpaid holiday, to attend.

●

THERE has been a good deal of discussion in the computer business on the question of sales tax on computer programmes — or "software" as it is fashionable to call them nowadays.

Our Customs Department has at last reached a final decision on the matter, and this decision is likely to cause considerable relief among the computer people.

Basically, Customs will follow the lead of the European Customs Co-operation Council, in deeming the knowledge and information content of software to be non-dutiable and non-taxable.

Software in Europe, is valued only on the cost of the media — the tape or disc on which the programme is recorded — and the cost of putting it there.

For application programmes there is an additional cost associated with the conversion of the ideas into a programme.

The total taxable cost is still far less than the full cost of developing the programme, and this will be so for software imported into New Zealand in the future.

For software developed here, the problems associated with tax collection will probably be so complex that Customs will not bother.

If our Government, in need of some extra revenue, ever did decide to tax software on its full cost, the European documents provide us, unintentionally, with a useful smuggling hint. Explaining the forms in which programmes are encoded, the Eurocrats refer to "punched cars, punched or magnetic tape....".

So instead of trying to sneak an obvious magnetic tape or stack of cards past the Customs post, our computer man buys a brand new car overseas, and has the programme discreetly punched in a tiny row of holes along the bodywork.

He'd still have to pay a hefty sum on the car, of course, but at the rate programming costs are going up, it will proably be cheaper.

●

IN our October 3 issue, we wrote in this column about the circular received by national superannuitants from the Inland Revenue Department. Its purpose was to tell them that the rate of secondary tax was being lifted from 18 to 35 per cent but, because the circular was couched in officialese instead of being written in plain language, we predicted that a high proportion of those who received it would, understandably, fail to get the message.

Sure enough, on the first pay-out day at the new "cash-in-the-hand" rate, superannuitants began phoning their Members of Parliament. Questions were asked in the House. A ministerial explanation was made.

Now the Social Welfare Department has sent an individually addressed letter to those affected.

It declares very definitely that "PAYE tax on secondary employment earnings is being deducted from your national superannuation at the rate of 35 cents in the dollar.

"This rate has been fixed for people with two sources of income to avoid a substantial lump sum payment at the end of the tax year and to spread tax evenly throughout the year. You will not pay more tax on a yearly basis."

So it seems that the Social Welfare Department has had to bail out Inland Revenue when it comes to clarifying the message.

But we still believe that the phrase "secondary employment earnings" is going to bug retired people who haven't been employed for years but who are supposed to know that national superannuation is, technically, employment.

●

IF you saw a pair of garden gnomes graven in the image of the Right Honourable Rob Muldoon featuring on the front page of the Dominion the other day—thereby hangs a tale.

Cast as a rather genial-looking gnome, tastefully glazed and carrying a watering can emblazoned with the sign of the mighty dollar, the mini-Muldoon didn't exactly take the market by storm. Or at least, not the segment the makers had in mind.

But when the National Party Conference came round, one of the organisers ordered 500 gnomes, certain that true-blues would snap them up as mascots.

Staunch supporters of the left, and by now a bit red-faced about their gnome, the manufacturers declined to fulfil the order.

They donated one to the Telethon auction, though, hoping to get a bit of publicity while helping a worthy cause.

But gnome Muldoon disappeared without a trace despite a placard around his neck describing his origins and giving a clear statement of his intended destination.

One of those light-fingered Avalon types apparently has a collectors' item on [illegible] one.

The lastest in the gnome saga is that he's coming out in a blue glaze sometime soon. The makers assure us that drips from the corners of his mouth in a ghoulish effect which should ensure instant market penetration among those whose political sympathies are more in line with their own.

●

"BECAUSE of the depressed economic conditions, people, especially the young, have in large numbers been leaving New Zealand. We hope that for the good of the whole country, they soon return. Meantime, their departure inevitably brought about a general reduction in beer drinking." — Report of the Directors of Lion Breweries (July 25, 1979).

●

TALKING of free enterprise we can only speculate on the dismay with which right-wing guru Bob Jones has learned of certain Labour Party goings on in the Wadestown area.

According to Truth "ominous rumblings are coming from some of the youngsters residing in the area".

"Rumour has it they're not at all happy about being coerced into delivering party pamphlets at the behest of some local Labour officials - and for no pay yet."

Among those pressed into service were the offspring of Bob Jones — and the version of the story that reached our office was that they were quite keen to chip in and deliver pamphlets for their Labour-supporting aunt.

●

WHO is buying the ex-NAC headquarters on Wellington's Terrace?

Rumours are flying around the capital that the 15 storey prestigious office block has already changed hands, despite an advertisement in The Dominion offering it for sale last week.

Air New Zealand says it has not sold yet, though it admits negotiations are going on.

Favourite in the rumour stakes among the three or four potential buyers is the Government but the State Services Commission told NBR that it had not bought the building and was no longer negotiating to do so.

NBR understands however, a private buyer is in the final straight and an announcement is imminent.

Built for $3 million nine years ago, the office block is reputed to be one of the best in the city though as a rental proposition the service area ratio to office space is poor.

Air New Zealand, which is still searching for Transport Minister Colin McLachlan's $10 million merger saving will be hoping to get at least $12 million from the sale.

Whatever the outcome of the current negotiations, Air New Zealand staff will have all moved either to Auckland or to Vivian Street by February next.

●

BROCKIE'S VIEW

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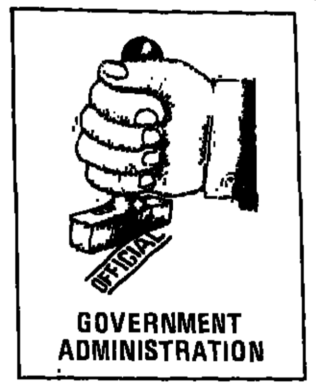
ACC publicity product provokes resignation



SAFETY booklets, two-monthly journals and a sizable flow of press releases have flowed as a matter of course from the Accident Compensation Commission.

But the latest publicity product to come off the assembly line has put the cat among the pigeons and led to the third resignation this year of a top commission executive.

The Publication, "Personal Injury by Accident", is a personal commentary by the ACC chairman, Kenneth Sandford.

The resignation has been tendered by chief solicitor John Brown, apparently over a conflict between the legal minds of Sandford (a lawyer) and Brown over matters of principle in the booklet.

Inside the commission, many are waiting to see the outcome of another battle over a matter of principle — a management battle that defines lines of control and responsibility up and down the management chart.

Outside the commission, both the Government's Quigley review and the Labour caucus review of the ACC scheme presumably will be inquiring into whether this latest upset at top management level is not another sign that the commission's administrative structure is due for an overhaul.

Should the triumvirate of commissioners with its seven directors be replaced, now that the accident compensation scheme is a going concern, by an Air New Zealand-style general manager and board structure?

The three commissioners have areas of interest.

Chairman Sandford has oversight over compensation matters as well as having a principal role in public relations.

Len Fahy looks after the portfolios of safety and administration as well as publicity and publications.

And Bert Walker (the political appointment to replace Hugh Watt earlier this year) overseas medical services and rehabilitation.

Under the commission are the professional bosses — directors of compensation, finance, legal services, medical and rehabilitation services, safety, and research and planning.

But the theory that the commission sets the policy and the directors carry it out does not seem to work in practice.

When Watt retired he fired a few passing shots at the lack of freedom given staff to use their abilities and he said commission management is top-heavy.

"I never thought I would see the day when two commissioners sat arguing over the most suitable sized car for a safety officer," he said.

Not only is too much of the day-to-day running of the commission taken out of the hands of directors, they also suffer the effects of a classic fault of managements in trouble — static on the lines of responsibility.

Instead of one boss to report to, they have three.

The line-on-line structure of many companies or one boss (a general manager) and board to represent interests and expertise are alternative management devices to dispense with confusion of control.

The three commissioners naturally do not see eye to eye all the time on what is best for the commission.

What line to take on the disputed chairman's booklet, for example, has produced different public responses from two commissioners.

The resignation memorandum has been handed to the commission, but it is still an open question whether Brown will leave or be obliged to go through with it.

That seems to hinge on whether the booklet is to be taken as a statement of personal opinion by the chairman or an official record of commission policy.

This is confused by the mixture in the book of past decisions on disputed legal points, already decided commission policy, and some still open questions that have not been put to the legal test.

One such area is the case of the stock car driver. Can he say he has had an accident if he is injured?

Sandford says no in the booklet, because a stock car driver expects to have the injury when he puts himself into a hazardous situation.

Legal opinion within the commission is at odds with this. Although the stock car driver is in a dangerous situation on the race track, he does not necessarily expect to be injured. In fact he takes *precautions against this.*

This may seem like another lawyers' argument over a small point. But if, as inside legal opinion suggests, the Sandford ruling threatens the no-fault basis of compensation, then it is easy to see why lawyers and doctors outside the commission as well, have been alarmed that the ruling could be extended to other contact sports, like rugby and boxing.

Sandford says that as a professional himself, he is as capable as anyone else to produce a legal interpretation of the Accident Compensation Act.

He says he is providing a much-called-for firm statement for those who have to interpret the Act, specially doctors, who have felt in limbo.

And which hat was he wearing when he produced the publication — the lawyer's or the chairman's?

He answers both and adds that staff have been instructed to follow the booklet's guidelines when deciding claims, an instruction he says that has the authority of the full commission.

Fahy has a different opinion. He said, on the day the news of the resignation broke, that the commission would have to consider shortly the position of the booklet. Since then he has preferred to decline comment on what the commission decided, saying it is an internal matter.

Sandford, too, has refused to discuss the effects of the booklet inside the commission or its part in the resignation affair.

"I won't comment on anything affecting staff. That's an internal matter," he said.

Commission rules on *relationships with the media were outlined very clearly for* staff, (with not so gentle reminders of the consequences of breaking the rules) in a circular issued in April last year after the publication of a National Business Review article which examined the financial state of the commission.

In what was headed "A letter from the Chairman to all Staff", Sandford called that article, "highly damaging to the commission and full of half truths and outright errors ... written without checking out with me (and only the commissioners know the full story covering every aspect of our affairs) but mainly obtained from back door snippets obligingly supplied by some members of our staff".

Journalists trying to cover and examine the progress of New Zealand's bold new social experiment had found interviews at the top to be tortuous affairs, punctuated by many "prefer not to comment" or guarded answers and in desperation had been turning to their informal contacts.

They discovered the place "leaked like a sieve".

The commission still does leak, although staff are a bit more careful about admitting that their second cousin, once removed, is related to the wife of any editor, for fear they may end up like the staff member who was sacked.

This sacking followed another so-called damaging NBR article, and the staff member admitted knowing the journalist author socially. She studied with him at university and continued a friendship while in London and here.

Of course, it's not too unusual a relationship for journalists to have with a good proportion of middle-to-top-range *bureaucrats in Wellington.*

Planners' silence deafens public

Economics Correspondent

THE ECONOMY

THE Government appears committed to a "great leap forward" in industrialisation in the 1980s. And the rush is on to make the run-up-time before the great leap as short as possible.

To make sure that as little time as possible is lost, the National Development Bill has been introduced to streamline the planning process for projects declared to be of national importance.

If the National Development Bill is passed, many institutions possessing experience in the planning process will lose their decision-making powers.

And the Government will be lumbered with a $490,000 white elephant which has been provided in this year's Budget to meet the expenses of the New Zealand Planning Council.

Not that the Planning Council has been of much use.

Almost $1.2 million of taxpayers' money has been allocated to it in the last three years. In return it has produced several reports, not available free of charge but sold to the general public for about $3.50 each. These reports were intended to inspire public debate on major planning issues. But they were either too cautious or too lacking in analytical content to be taken seriously by the public or the Government.

If the Planning Council was carrying out the functions it was designed to carry out, it would be cheap at five times the cost.

But the introduction of the *National Development* Bill suggests that the Government does not intend the Planning Council to be involved in important planning for the future.

The chart on this page presents a list of the functions and powers of the Planning Council, as published in its first major report, Planning Perspectives 1978 - 1983.

Under the New Zealand Planning Act 1977, the publication of documents which in the council's view merit wide consideration and public debate is only one of the council's roles.

Other functions include advising the Government on planning for social, economic, and cultural development in New Zealand.

The Planning Council has been vested with the power to recommend priorities on development programmes and to act as a focal point for a process of consultative planning about medium-term development.

Apparently one thing the Planning Council is not really set up to do is plan.

It seems that the New Zealand Planning Act 1977 is just another piece of meaningless legislation.

BARRY BRILL . . . get rid of bureaucracy.

For example, the Government's "blueprint for progress" underlying "the great leap forward" is not the carefully considered plan of a central planning agency. It is the brainchild of Barry Brill, the Under-secretary for Energy.

Not surprisingly, under Brill's plan New Zealand's energy and forestry resources will provide the base for rapid industrial development based on new technology.

But why all the rush? If there is merit in Brill's idea, it is likely to blossom into fruition in the fullness of time with encouragement from the Government.

Even the cautious Planning Council was edging towards similar blueprints in its reports.

Brill recently explained the reason for hurrying into industrial development in Straight Furrow.

"First, we need an acceptance that New Zealand has a never-to-be-repeated opportunity to regain its status as 'God's own' to achieve massive growth levels and to provide employment opportunities in abundance.

"Then we must recognise that those goals can only be achieved if our entire economy is directed towards investment rather than consumption, to productivity rather than internecine strife over cake-sharing."

Brill wants to get rid of bureaucracy and regulations so that projects of vital national importance can go ahead more quickly.

It appears that the Government is the agency which chooses projects considered to be of national importance under the National Development Bill.

So, the reason for getting rid of bureaucracy and regulation is not to introduce more competitiveness or to give the public more freedom of choice. And, Brill, of all people, is advocating totalitarian decision-making.

He wants to get rid of bureaucracy only so that his Government's plans can be implemented more easily and without regard to the public interest.

The Planning Council was set up to reflect the Government's view that there was something akin to the national interest.

As the council wrote in Planning Perspectives: "Groups who look to the council for a set formula to advance their own particular concerns will be disappointed. The main priority in the medium term is to encourage everyone to look ahead from the standpoint of the country as a whole."

But underlying the functions of the Planning Council is the development of channels for discovering what this national interest is. In the council's own words, "decision-makers should encourage, and participate in, a process of consultation with all people who want to build a better New Zealand.

"The council encourages participation by citizens in making the decisions which they must help to implement. People are not all the same, do not share the same experiences, and do not perceive the same solutions to problems.

"This is especially true in a multicultural society. It follows that any legitimate and effective planning process must endeavour to involve as many people as possible ..."

The National Development Bill is inconsistent with the view of planning held by the Planning Council. Yet this is the very body the Government originally set up to plan.

The bill assumes massive industrialisation for New Zealand without first discovering if that is what the residents want.

There is little opportunity for people to be involved in decision-making and then there is no provision for government decisions to be reviewed in the courts.

Further, power is centralised in the executive — and it is arrogantly assumed that the necessary expertise resides there too.

The National Development Bill provides an issue for the Planning Council to get its teeth into.

Up to now, the Planning Council has been criticised for putting too much of its energies into the idealistic discussion of people and planning and the social and cultural nature of New Zealand.

Now, when those very values are being strongly challenged, the Planning Council has remained silent.

And if the National Development Bill becomes law, this silence may extend to eternity.

FUNCTIONS AND POWERS OF THE NEW ZEALAND PLANNING COUNCIL

Functions and powers of Council—(1) The general functions of the Council shall be—

(a) To advise the Government on planning for social, economic, and cultural development in New Zealand:
(b) To assist the Government to co-ordinate such planning:
(c) To comment to the Government on programmes for social, economic, and cultural development in New Zealand, and to recommend the priorities that should be accorded to them:
(d) To act as focal point for a process of consultative planning about New Zealand's medium-term development:
(e) To foster discussion among those agencies (Government and private) concerned with planning, particularly in the economic, environmental, social, and cultural fields:
(f) To submit advice to the Government on links between planning at the national and regional levels:
(g) To prepare reports on any matter affecting the economic, social, or cultural development of New Zealand:
(h) To submit any report prepared by it to the Minister if it thinks fit
(i) To recommend that any report submitted to the Minister under paragraph (h) of this subsection be laid before Parliament:
(j) To publish documents on planning topics which in the view of the Council merit wide consideration and public debate:
(k) To consider any other matter which is referred to the Council by the Minister or which is relevant to the proper performance of the functions mentioned in paragraphs (a) to (j) of this subsection.

(2) The Council shall have such other functions, powers, and duties as are conferred or imposed on it by or under this Act or any other enactment

(3) The Council shall have such other powers as may be reasonably necessary to enable it to carry out its functions

Source: New Zealand Planning Act 1977

Ill wind gusts across major skifield

AS the 1979 ski season draws to a close in the South Island, skifield operators, travel agents, ski-tour promoters and ski gear retailers are reviewing a season that has brought one major commercial skifield operator almost to its knees and seen predicted growth fall to a 5 per cent downturn.

The real money earners for our ski industry — free-spending Australians — were lured to the United States by better-value-for-money ski packages.

A trans-Tasman cut price airfare fiasco further robbed the skifields of Australians and, to cap it all, the one vital commodity for skiing fell late and stayed thin. This coupled with erratic weather, kept the local recreational skier at home.

Some skiing-involved companies did remarkably well.

But the financial woes of Porter Heights Developments Limited has prompted an extraordinary meeting of shareholders in Christchurch.

For Porter Heights, the closest field to Christchurch, the season was a disaster.

The field opened late. Unkind winds whipped away the light dry snow which fell early in the season before it could be compacted, then poor weather kept the field closed at money-earning weekends.

At season's end the field had operated for only 45 days (against 84 last year, and 91 for the mean average).

According to a report circulated among shareholders, income plummeted $100,000 below budget.

The company's main bankrollers — the Bank of New Zealand and the Development Finance Corporation became apprehensive.

The upshot at least of the BNZ's concern is two proposals, which will be submitted to what is expected to be a stormy shareholders' meeting today.

The first proposal is that shareholders contribute between $400 and $500 each to raise the $50,000 needed to allow the company to open next season.

When shareholders have swallowed that bitter pill, directors will ask for permission to raise another $150,000 from outside sources.

Porter Heights finds itself at a stage where events in the next 12 months will make or break the company and could provide the chance for a substantial investor to move into the strong-growth skiing industry.

The company is now in a position where investment of $500,000 or more is vital.

Eyes have been cast over the prospects — Midland and Radio Avon among them — but the major stumbling block to further investment is the present shareholding.

It is small, parochial and skiing orientated and, to date, unwilling to see an outsider take control. Big investors therefore see no prospect of control of the company and naturally will not risk money without a say in how it's spent, particularly in view of the indifferent results so far.

At a time when Porter Heights was most receptive to perhaps a substantial minority investment from outside, came the now notorious La Chapelle report on avalanche danger at the field.

The company is so sensitive about the report's contents that it has threatened to sue anyone who publishes it.

The company and potential investors with no real knowledge of skiing went into a cold sweat at the vision conjured up by the report of hundreds of skiers caught under avalanches. But skiers continued going blithely to the field.

Privately, most ski industry people pooh-poohed the report by the Canadian avalanche expert and were relieved that La Chapelle had not taken too much notice of the avalanche danger at other fields.

Publicly they tut-tutted. And Porter Heights was labelled Avalanche Valley, much to the amusement of thousands of skiers who indeed see avalanches — set off by the field's ski patrol using explosives after expensive avalanche training overseas at the company's expense.

It is under these clouds the shareholders' meeting will be held before a depleted board . . . three of the seven directors have recently resigned.

Porter Height's shares were reported valued at $2 before this season's problems, and because of the substantial and appreciating assets on the mountain, they would still be worth around $1.40.

There are 149,440 shares held by 72 shareholders. A profit of $1375 was made in 1976, and in 1977 this increased to $26,077 on a total revenue of $153,806.

But 1978 saw less snow with profit down to $2230 on a turnover of $183,394.

Company spokesman Ian Satterthwaite said Porter Heights had not had a good year this season.

"You can't expect to have a very good balance sheet with outgoings over 52 weeks but only 10 to 12 weeks coming in," he said.

He admitted the company had a "liquidity problem", but this would be settled within the existing shareholding and all creditors had been paid.

Porter Heights is seen by tourist operators and others in the ski industry as having the potential for an eminently marketable and profitable undertaking.

Pessimists in the company say another season like this year's will see shareholders giving up the burden to perhaps Midland or someone else willing to jump in with the necessary development of more lifts, accommodation and facilities on the mountain.

Porter Heights' financial bind is not typical of the South Island ski industry this season.

But, there was an estimated downturn in budgeted receipts of 15 per cent, with turnover down about 5 per cent on last year.

The great cut-rate air fare fiasco of June and July contributed to this.

The cut-rate fares, say industry sources, were introduced at too short notice for Australian skiers to take advantage of them. Instead they were filled up practically overnight by New Zealanders using them for a quick holiday in Aussie.

One tour operator had nine tour groups near full under the scheme and had to cancel the lot — 300 skiers — when the seats to complete the groups just were not available.

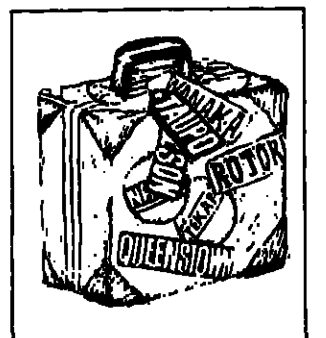
Suddenly New Zealand wasn't the place for Australians to come to for a skiing holiday. Australian ski interests pumped $50,000 into a Ski Australia campaign which netted, for instance, 11,000 skiers from South Australia, which has no snow.

For between $800 and $1800, Aussies could spend up to a month at an American ski resort . . . and did. Heavenly Valley in California offered 21 lifts, casinos, saunas, throbbing night life.

For up to $500 we offered Coronet Peak after two years in a row of poor snow.

But next season? That promises to be different.

The airfare fiasco has been resolved, with Air New Zealand settling its trans-Tasman fares now for next season. While only 2 per cent of seats are taken by skiers in winter, that 2 per cent transforms to half or two-thirds full hotels and motels near a ski area in our traditional off-season.



TOURISM

More tourist operators specialising in skiing are setting up shop here and better marketing expertise is being employed in Australia and that virgin territory, Japan, to lure the dollars and yen.

And at last the ski industry is shaking itself down to some kind of operating pattern. This year for the first time, sectors of the traditionally fragmented and jealous but potent money-earners are co-operating fully.

At Methven the other day, for instance, was a ski industry "pow-wow" aimed at shuffling the jigsaw pieces of skifields, tour operaters, retailers and others into some sort of clearer and co-ordinated picture.

Relying on a sometimes elusive commodity like snow for prosperity puts a speculative edge on any investment in the skiing industry, but this poor season shows that edge can be dulled to something vaguely giltedge with sound and shrewd financial management.

Lake Ohau sold itself aggresively both in Christchurch and Australia, no doubt influenced by Radio Avon's desire to see something for the $70,000 the station invested. The result was a big upturn, although no accounts are out.

Even better are reports that already bookings are coming in for next season, gener[illegible] by returns and word of [illegible]

In contrast, Treble Cone field with probably the big[illegible] potential in the South [illegible] for development, did [illegible] itself as well and suffered it.

Mount Cook, Coronet [illegible] maintained its by [illegible] traditional glum silence [illegible] skifield. The detailed [illegible] are not published [illegible] but the field made a [illegible]stantial loss.

Revenue was put at [illegible] with a shareholder a[illegible] annual meeting getting promise from the board [illegible] the revenue earned by [illegible] and coaches through [illegible] analysed in future [illegible] accounts.

Mount Cook chairman Henry Wigley pointed [illegible] snow covered Rastus B[illegible] across from Coronet as the [illegible] to the Peak's erratic [illegible] problems.

Mount Cook is [illegible] negotiating the [illegible]

Continued on Pag[illegible]

Commission chief job ad fires speculation

by Belinda Gillespie

THE job of Commissioner for the Environment is up for grabs.

Incumbent Ian Baumgart is due to retire in April next year and the position was advertised in the Public Service Official Circular the other day.

"Applicants who may not wish to hold the position indefinitely" will be considered. In some cases, even "transfer or secondment for a fixed period" may be appropriate, according to the advertisement.

The inference drawn from the advertisement about the permanency of the commissioner's job has caused speculation in government circles.

One interpretation is that the job — a modest one, as far as heads of departments go, with a salary of a mere $30,000 odd — need not be regarded as the end of the line by those who apply.

The more ambitious could regard it as a stepping-stone to even better things, rather than the pre-retirement summit of achievement.

Again, the ad might be intended to attract a suitable applicant from "outside" — perhaps a university — who would be prepared to take it on for a few years but not as a permanent career.

More ominous interpretations are possible.

Is the commission to have its wings clipped and be put under the control of some other Government agency? Or carved up and shared among departments — a fate suggested at one time for both the Wildlife Service and the Tourist and Publicity Department?

If its submissions on the National Development Bill are successful, of course, the new commissioner may end up with a job that is somewhat different from the one he applied for — and one that requires him to take on a more aggressive role than is usually required of Government heads of departments.

The job has come up at a crucial time for the commission.

IAN BAUMGART ... due to retire.

The National Development Bill, now under consideration by the standing committee on Lands and Agriculture, for the first time gives the commissioner legal status.

Submissions on the Bill are due to begin today.

Although not yet public, the commission's submissions are said to state a case for further beefing up the commission's role, while leaving aside the broad environmental implication of the Act as a whole.

The commission has evolved into its present form without the benefit of an act of Parliament and has created its own opportunities, intervening as it saw fit where and when environmental issues needed to be raised.

The commission is said to be hoping to take on the role of advocate for the environment, pleading the case for the best environmental option — in place of its present ambivalent position.

Though legally undefined, historically, the commission has functioned as a compromiser between the demands of developers at one extreme, and the clamour of environmental pressure groups at the other.

This jury-like function — when and if the bill became law — would be taken over by the Planning Tribunal, which would preside over the hearings for schemes put on the fast-track skids by Order-in-Council.

It would hear, among others putting their cases, the proposer of the scheme as an "advocate for development". If the Commissioner for the Environment had his way, he would be an unabashed advocate for the environment.

As matters stand, the Bill gives the Commissioner the statutory right to appear at the hearing, but his role there remains undefined.

The commission apparently wants its advocacy to go on record.

It wants the Planning Tribunal to be required to include comment on economic, environmental and social matters when it reports back to the Minister of National Development.

The reasons why the commission's recommendations were accepted or rejected would then be a matter of public knowledge.

There is some feeling that if the commission isn't given a statutory mandate for environmental enhancement and protection under the National Development Act, it will lose a lot of its clout.

The tribunal hearings will pull together at one time numerous statutory agencies with a degree of specialisation in their particular areas — whether soil, water, health or others — which the commission cannot achieve.

Its previous function, partly as an assembler of relevant information, could be usurped by the more time-efficient one-hearing procedure.

Plastic money pushers try travellers cheques

VISA, the plastic money people, are launching an attack on the world-wide traveller's cheque market — but without either of the two New Zealand banks in the system.

Visa hopes to achieve its target of 10 per cent market share within a few months by persuading at least one leading bank in every major country to issue its cheques.

And within five years the international bankers club which operates Visa, is aiming for a 40 per cent market share.

Both the Bank of New Zealand and National Bank are club members but neither is rushing to be first in the market this time.

An essential for any successful travellers cheque is acceptability and both banks, which already use a range of international travellers cheques, are adopting a wait and see stance.

But elsewhere the war is hotting up. Visa is well on its way to its short-term target after converting Britain's Barclays Bank, Standard Chartered Bank and Trustee Savings Bank plus several smaller American banks.

Political pressure put on Petrocorp

BILL BIRCH ... minority partner

Energy Reporter

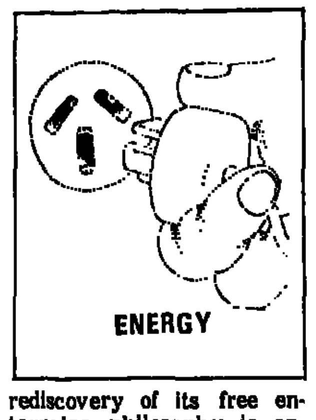
THE future role of Petrocorp is far from certain.

Energy Minister Bill Birch is known to have told at least one *of the company's directors* that the only place for Petrocorp in the proposed multi-million dollar Maui petrochemicals scheme will be that of a minority partner.

It is clear that political pressure also had a hand in the recent move to make public the planned ammonia urea plant for Taranaki. (Petrochem).

Government Ministers have been keen to convince the company that the country's prospective onshore exploration licences should either be given up by Petrocorp to the "preferred" mining companies, or satisfactory "farm-in" *arrangements* should be vigorously pursued by Petrocorp.

The Liquid Fuels Trust Board report to the Government on the future of Maui Gas without taking advantage of American computer analysis of Petrocorp's $3000 million petrochemicals scheme is another indication of the at*titude offered by* some politicians to the company.



Yet it would be wrong to assume that the Government's rediscovery of its free en*terprise philosophy* is entrenched enough to crush the young state-owned company.

At the recent Prime Minister's reception for the *young* Saudi *prince Nawaf Bin* Abdul Aziz, not one of the "preferred" mining companies was represented. But Petrocorp chairman Frank Orr was there.

Prime Minister Rob Muldoon is known to have been a keen supporter for the establishment of the company from the start, and not even the insistence of certain cabinet Ministers that they be in attendance during Petrocorp discussions in the Prime Ministerial suite is *expected to change his attitude.*

Yet it is the day-to-day problems which are clearly occupying much of Petrocorp's time.

The recent release of the company's first annual report (detailed Page 11) highlights the disturbing equity-debt ratio.

The weeklong shutdown of the Maui production facilities causes more headaches, and the long, expensive and abortive attempt to find oil and gas in commercial quantities at Toko has put the group further into the red since the preparation of the annual report.

A "bad" press continues to be a feature of the group's operations. Few journalists can boast about having located the Petrocorp general manager Jim Hogg by phone since he got the job in March 1978.

Reports on drilling operations are scant and irregular.

The move to locate the $80 million ammonia urea plant at Kapuni became an exercise of persistence and vigilance for journalists covering the story *in the early part of the year.*

Yet to the company's credit the recent well-orchestrated news conference on the proposed $3000 million petrochemicals development was as good or better than that offered by BP (NZ) Ltd a few weeks earlier. Concise and frank communication was the feature.

Petrocrop's subsidiary company, the Natural Gas Corporation, continues to provide the backbone to the enterprise (net profit before *tax $10.333 million*).

The "shotgun" marriage to Petrocorp in March last year has certainly not changed the satisfactory image or efficiency of NGC.

Petrocorp directors could well promote NGC as the group's flagship for the future to help generate a similar image for the rest of the group.

Ski battle

Continued from Page 8.

jungle — resisting the urge to take a slasher to the environmental objectors to the Rastus Burn skifield proposal

While many of the objectors to the proposal have melted away under the *soothing* and costly concessions the company has made, some hardcore objectors still see Mount Cook as a rampaging *giant bent* on concreting over half the Remarkables.

The town planning hearing for permission to build the Rastus Burn field has ended in Queenstown, with the Lakes County Council due *to report,* it is hoped, early next year.

Mount Hutt decided to delay $700,000 worth of expansion on the field because attendance *fell to just* below last year's.

Company chairman Peter Yeoman observed that "development goes in leaps and bounds. This happens to be one of those stock-taking years. There aren't many people taking leaps this year."

As the development loans are reduced, some dividends paid and the columns ruled off for next year, *the industry* hopes the white commodity largely elusive this year will turn into the black by arriving on cue next season.

NBR BUSINESS WEEK

Exploration cost: data increase ups asset base

by Peter V O'Brien

THE Petroleum Corporation of *New* Zealand Ltd (Petrocorp) has an unusual financial structure for an organisation which is "determined to fit into the private enterprise system in carrying out whatever projects are entrusted to it" (a statement in the annual report).

The energy development group's accounts for the year to *March 31, 1979 show* that, (including an item for goodwill arising out of the acquisition of subsidiaries) shareholders funds were only 12.3 per cent of total liabilities.

That would be considered a dangerously low figure for any private sector company, other than one engaged in banking or sections of the finance business where *there is a* continuing inflow of loan repayments and similar items to match deposits and other monetary liabilities.

The directors seem to agree, because the chairman's report says: "directors are concerned at the debt-equity ratio and will be discussing the matter with shareholders in the near future".

The Government's 1979 Budget included an item in Table 5 ("Miscellaneous Investment Transactions") $27.955 *million for the* acquisition of shares in Petrocorp.

That money will be used for the petrochemical subsidiary. But the capital structure will change this financial year in the parent organisation. It is a little amusing to note the reference to the "shareholders", who are those *financially* substantial gentlemen, R D Muldoon and W F Birch, although it can be assumed that they will not need to write a cheque.

Petrocorp obviously differs from other companies in its operations, so it is un*necessary to* adopt a proprietorship ratio (shareholders funds to total liabilities or assets) in the traditional range of 40 to 50 per cent.

If the corporation's capital were doubled (to $110 million) the relationship, on the basis of the accounts at March 31, would be 25 per cent, assuming that the money was used to repay debt.

The directors also mention debt figures in the context of overseas loans: "Most of the loans held by OMC (Offshore Mining Company Ltd) to finance Maui development expenditure are denominated in foreign currencies ($312.828 *million) and there is thus* a considerable exposure to future losses from adverse exchange fluctuations."

A note to the accounts says: "Other loans comprise in the main Eurodollar borrowings raised to finance Maui Development Expenditure, on a fixed and floating interest *rate basis.* The interest cost and net exchange losses on these loans have in the main been capitalised to Development Expenditure at 31 March, 1979 as commercial production had *not* commenced at that date. A devaluation of the New Zealand dollar by 5 per cent occurred on 22 June 1979, *which resulted in an* unrealised exchange loss which was also capitalised at that date."

That statement is confusing *when read in conjunction with* the table of movement in group funds which accompanies the accounts. The table has an entry, "currency gains", of $6,175,599 in the sources of funds section.

The corporation said last week that the gains relate to the movement of the New Zealand dollar in relation to the United States dollar in the year ended March, while the "unrealised exchange loss" referred to in the note to the accounts is the ongoing figure for the 8 years of OMC's existence before the formation of Petrocorp.

There has been comment on the corporation's loss for the year, and particularly on the figures regarding exploration costs in the profit and loss account.

The corporation received exploration grants of $16.6 million from the Government, and spent $24.7 million, for a loss (to the corporation) of $8.1 million.

The total cost of $24.7 million is the "real" expense if one looks at the exploration activities from a national view. That figure may seem large but two points are worth noting.

First, the cost of exploring cannot be assessed from the viewpoint of what some individual may lose after an unsuccessful day at the races.

The latter approach reflects the too-common inability in New Zealand to think about development and risk-expense at a realistic level, in relation to the possible rewards. The latter can be massive in a short period.

Second, part of the expense can result in an intangible "asset" in the sense that knowledge gained on an exploration programme can affect the level of future costs, by providing an information bank for use in the next stage of the programme.

That point is also relevant to the corporation's accounting treatment of exploration expenditure. Under its "successful efforts" costing, the organisation writes off geological and geophysical costs in the year they are incurred.

The policy includes writing off the costs of drilling wells where "it has been ascertained that there are no proven commercial oil or gas reserves".

Again it can be argued that at least part of the costs (admittedly a comparatively small part) of geological and geophysical work provide an intangible return through increasing the corporation's expertise and knowledge.

The treatment is conservative, particularly if any possible future farm-in partners are asked to contribute to the costs of this knowledge.

The accounts are the first to be prepared since incorporation, and exclude any commercial operation of Maui gas, so it will take time before an accurate assessment of the corporation's financial performance and structure can be made.

Analysing annual accounts

by Peter V O'Brien

THE Hawke's Bay Farmers' Co-op Assn Ltd is a medium sized company (capital $3.8 million, shareholders funds $12.1 million), but the 1979 annual report is well ahead of the offerings from larger organisations.

The company says it believes in "a policy of full disclosure within the bounds of practicability", and considers that the information this year is a major advance in this direction.

"It is hoped to improve and expand on these statements next year."

The only comment required on that statement in regard to the profit and loss account relates to more information on the company's expenses, and possibly a further breakdown of earnings by divisions.

The group gives a summary of earnings from "trading sales", from "commission and other sales", and "other earnings" (including interest earned, rents, and so on).

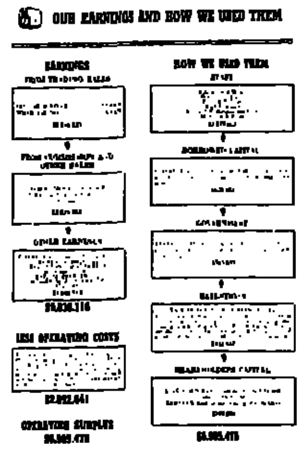
It may be impractical to provide additional information, particularly as the company has less diversification than the big three stock and station companies, but it is a point worth looking at.

The balance sheet could do with some updating. Land and buildings are recorded at 1975 valuations, on the basis of assessments of registered valuers, and presumably (although the report does not say so) were based on then market realisations.

Possible changes since that time suggest that the company could revalue again, particularly as it seems to be making reasonable capital profits from the sale of fixed assets.

Apart from those matters, the company has given its shareholders an excellent summary of the year's trading, current financial position, and clear explanations of changes to items in the accounts.

The whole report is set out in unambiguous prose, and with the financial jargon confined to areas where it is impossible to use any other language.



This is all done in 24 pages of text and figures, with none of the glossy photographs which too many other companies think are a substitute for information.

HBFC covers well two areas that have been emphasised in this column for some time; taxation liability and movements in current liabilities and current assets.

In the latter case the company gives a sixfold division of stocks in a note to the accounts, and comments on substantial changes in other current liabilities and assets in the following short, but easily understandable passage in the managing directors review:

"The balance sheet shows a large increase in debtors and advances. There were a number of reasons involved, but a large proportion of the amount shown was of a temporary nature only.

"For instance, for a very short period co-inciding with our balance date, we had $1.7 million owing to us in respect of sheep and cattle sold for export.

"We also had a number of large bridging advances relating to significant land settlements in July.

"Livestock debtors were $1.6 million higher than in the previous year partly because of increased numbers of stock, but far more significantly because of increased values.

"This item highlights the major increases in working capital that our industry is being called on to find under today's inflationary conditions.

The company has deliberately made funds available to a large number of farmers in the past year for extra livestock, the extension of their present farming activities and farm development."

The formal accounts reflect the improvement experienced by all stock and station groups in the 1978-79 financial year.

Net profit doubled, although the previous year's figure was not particularly spectacular, being $63,000 less than in 1977.

The increased profitability shows up in the return on year end shareholders funds.

The company earned 12 per cent on those funds, compared with 7.4 per cent in the previous year. The return is still only average, but is a clear improvement on 1978.

But net profit in a co-operative stock and station company gets distorted when compared with other companies. HBFC paid out $365,000 in "rebates to trading shareholders", an increase of $169,000 over 1978.

The rebates are a flat money amount of wool, stock commissions, livestock sales, and fertiliser, and a varying percentage of the value of "retail and produce credit sales" and "retail cash sales".

The payments, broadly speaking, give many shareholders an effectively higher return on their investment, and to that extent affect comparisons of profitability between the co-op system and other companies, although various allowances by gas companies and retailers have a similar effect.

A similar improvement shows up when cash flow (realised profit from all sources plus depreciation) is related to total assets. The return last year was 5.76 per cent, compared with 4.32 per cent in 1978.

The change has to be qualified a little due to the inclusion of land and buildings at 1975 valuations, a matter referred to earlier. It is reasonable, while not being marvellous.

The need to carry the sizeable increase in debtors and advances affected the relationship between shareholders funds and total assets, in spite of the much higher profit (most of which went to reserves).

The proprietorship ratio was 41 per cent at balance date, against 42.5 per cent in 1978.

In view of the extract from the managing director's review, the ratio has probably improved since balance date, although it could run down again when farmers look for money to cover the tax ordered in March, 1980.

That drain is already being predicted as a likely constraint on liquidity in the economy, and will certainly be felt in the rural service companies.

"Would you mind leaving a receipt so that I can show it to the Income Tax people...!!

Only a loophole precluded formal takeover

by Peter V O'Brien

CHALLENGE Corporation chairman Ron Trotter missed the point when he commented on criticism from the Society of Investment Analysts on recent share deals in Haywrights and Tasman.

Trotter was reported in the daily press as questioning whether the society properly understood the matter.

He is also reported as saying that the previous large shareholders in Haywrights (Challenge and Fletcher with 63 per cent of the capital) had insisted on an undertaking that the minority shareholders would be respected by the H W Smith and New Zealand Farmers Co-op Assn. of Canterbury consortium which bought the shares.

RON TROTTER ... missed point

Then Trotter said the sellers were prepared to disclose the price, but it must be a matter for the buyers.

That raises various matters (discussed in NBR Business Week on October 3) before the society issued its appropriate statement.

It also brings in another issue.

Only an anomalous loophole in company law allowed the consortium to buy 63 per cent of Haywrights without making a formal takeover for the whole company.

Takeovers are controlled by the Companies Amendment Act, 1963 (sometimes referred to irreverently as the "Ron Brierley Amendment Act", because Brierley's activities in the early 1960's seemed to lead to the act being passed).

Section 3(b) says the act shall not apply in respect of any scheme involving the making of offers for the acquisition of "any shares in any company if offers are made to not more than six members of the company".

The section means that you can buy more than 50 per cent of a company provided you buy from fewer than six shareholders.

It is appropriate to mention here that Justice Minister Jim McLay's attention has been drawn to this apparent anomaly. While the provision may have been suitable in the less complex corporate days of the 1960s, it is now out of date and should be removed from the statute (for the various reasons listed in the article of October 3).

It remains to be seen whether anything happens. And even if something is done it may not be in this session of Parliament, given the state of the legislative programme.

As long as the provision remains it is hard to see how people can insist on buyers of more than 50 per cent of a company's capital looking after the other shareholders, unless it is made a condition of the sale that something has to be done within a given time period.

Trotter's reported statement that the sellers were prepared to reveal the price, but have to leave that matter to the buyers, tends to negate the insistence.

The fault on the price revelation issue falls, equally in my view, on sellers and buyers.

It can be said that when sellers have sold they no longer have a responsibility, and it is clear that they never have a legal responsibility.

But, as mentioned on October 3, companies the size of Challenge, Fletcher and NZFCAC could "be expected to have a responsibility to the other shareholders".

It is a pity that the questions raised in the Investment Analysts Society's statement, and in the media, involve Challenge Corporation and Trotter, because they have been in the front of corporate communication since the early 1970s.

Trotter was the first company chairman in New Zealand to hold detailed briefings for the media and for investment managers of large institutions.

Some of those occasions involved blunt talking, but the various comments have been taken up in Challenge's later reports and disclosure of information.

In 1978 I had a dig at the annual briefing, in the form of a music review of the Challenge symphony as performed by the Corporation orchestra. But the briefings have been a valuable innovation in company affairs this decade.

The proof of that is seen in the growing number of companies which are prepared to hold these gatherings, and in those who now face sophisticated questioning at the regular meetings of the Society of Investment Analysts.

The second issue relates to Tasman.

It is no doubt true that eventually the market, as represented by many small shareholders, will see a better Tasman as a result of the arrangements entered into with the Government. At the moment, as the society rightly says, the information is unavailable, and the point missed is that the information should be available now.

Trotter's comments on that deal in fact added a little more information to that already available in the market.

The Tasman deal leads to another matter regarding Fletcher and Challenge.

It is time someone stated exactly what plans these companies have in the development of the country's natural resources.

These two large corporations seem to be closely involved with the State in the development of those resources.

By itself there is nothing untoward in companies having the foresight, even the vision, to see the potential of the resources.

But there is a danger in any possible quiet alignment between the State and major organisations, whether they be unions or corporations without regular public information. In either case there is potential for the individual to become submerged in the "national interest", as defined by over-powerful forces.

Publishing: potential immediate gain

by Peter V O'Brien

INVESTOR INSIGHT

CAPITAL gains on the sharemarket will probably become more difficult in the remaining two months of 1979, but there could be some potential gain in publishing groups as they present their interim reports for the six months to September.

Wilson and Horton, publishers of "The New Zealand Herald" gave an indication of the industry's likely performance last week when it announced a substantial profit rise for the first half and suggested that the year's result will be well ahead of last year. The directors said they "were confident the full result for 1979-80 will substantially exceed the figure for the previous year and more than match inflationary trends".

The other publishing companies on the list are Allied Press, Christchurch Press, INL, NZ News, and United Publishing and Printing.

Allied Press received publicity during the recent battle between two South Island groups for control of the company. The decision to close down Dunedin's Evening Star was hardly a bull point for the shares. A full takeover will remove the group from the Stock Exchange list, so it is now of little concern to the market.

INL was examined here some weeks ago, mainly in the context of comparatively large trading in the shares. It now appears that, apart from some buying by the Australian group News Ltd, the scrip has been going to various corporate or institutional organisations and other investors.

INL has a large newspaper stable, including both Wellington dailies, two of the country's weekend publications (Sunday Times and Sunday News), Truth the Hamilton based Times and numerous other smaller and/or specialised newspapers and periodicals.

The share price last week was $1.62 after reaching $1.65, the high for the year. The low was $1.23, so several buyers are already showing good gains in a relatively short time. The dividend yield from last year's 14 per cent was 8.6 per cent, the highest of the publishing groups.

At that price and yield there may be room for further gain, provided the company reports a solid improvement in profitability for the first six months of the current year.

NZ News also had a high yield last week, at 8.7 per cent, from a 16 per cent dividend in respect of 1978-79. Profit last year was $3,005,000, compared with $2,455,000 in 1977.

The shares were selling at 5.5 times earnings last week, based on the figures to March. Assuming the company improves again, that figure is not particularly high, when considered in relation to Wilson & Horton's historical figure, and those of the other companies.

NZ News' circulation "anchors" are the Auckland and Christchurch Stars and the Women's Weekly.

Last year's dividend was covered 2.1 times, so there could be room for an increase this year if profitability follows the pattern set by Wilson and Horton, although the company lifted the figure one per cent in the latest accounting period.

United Publishing and Printing is the intriguing company among the publishing sector. Based in Rotorua, but with interests in other towns, the group is regularly talked about in terms of a takeover offer from one of the other organisations. Nothing has happened so far, but there is little doubt that the chat will rise again in future.

Net profit for the year ended March 31, 1979, was $974,737, compared with $900,415 in 1978, a rise of 8.2 per cent. The dividend was increased to 10 cents a share (20 per cent on the 50 cents units), the third year in succession that the company has lifted the payment to shareholders.

The profit increase may seem relatively small, but the dividend still has a cover of 3.6, with an earning rate of 35.6 cents (71.2 per cent) a share. The dividend yield last week was 6.2 per cent, and the shares were selling at 4.5 times 1979 earnings.

The industry will have problems this year with rising costs, particularly newsprint, the substantial lift in communications' charges, and higher wages. The Wilson and Horton interim report referred to "substantial" increases in the price of newsprint, and to "some uncertainty in the economic outlook for the final quarter".

The recent level of economic activity (although it may evaporate in the coming months) probably assisted advertising revenue among the larger publishers, and would have an effect on their ancillary commercial printing operations.

On balance, the sector seems to be enjoying a good year, and should be able to carry the improvement into the second half. Tighter economic conditions in the first six months of calendar 1980 could dampen returns a little, unless the Government engages in another of its "fine tuning" policy adjustments.

At present prices the companies are worth consideration, relative to the rest of the market, in spite of the overall steadiness which is *now appearing in share price movements.*

NOTE: The writer neither owns, nor has a beneficial interest in the shares of any publishing company, but has a journalistic association with Wilson and Horton Ltd.

ECONOMIC INDICATORS

EXTERNAL TRADE

As recorded in Reserve Bank record of Overseas Exchange Transactions.

Exports	Period	Latest	Previous Year	% Change
Meat	Aug 79	$119.0m	$88.4m	35.0
	Aug 79 yr	$1263.5m	$913.2m	38.0
Wool	Aug 79	$68.5m	$37.3m	5.0
	Aug 79 yr	$772.2m	$627.3m	23.0
Dairy Products	Aug 79	$46.9m	$39.5m	19.0
	Aug 79 yr	$603.0m	$605.0m	
Forest	Aug 79	$35.7m	$31.2m	14.0
	Aug 79 yr	$339.8m	$282.4m	20.0
Manufactured	Aug 79	$72.3m	$56.9m	27.0
	Aug 79 yr	$684.6m	$526.5m	30.0
Total Exports	Aug 79	$399.2	$302.6m	32.0
	Aug 79 yr	$4284.8m	$3436.8m	25.0
Imports				
Government	Aug 79	$15.7m	$8.7m	80.0
	Aug 79 yr	$194.4m	$173.8m	12.0
Private	Aug 79	$335.4m	$262.2m	28.0
	Aug 79 yr	$3332.1m	$2829.4m	18.0
Total Imports	Aug 79	$351.1m	$270.9m	30.0
	Aug 79 yr	$3526.4m	$3003.3	17.0
Balance on Trade Transactions	Aug 79	+$48.1m	+$31.7m	52.0
	Aug 79 yr	+$758.3m	+$433.5m	75.0
Balance on Invisibles	Aug 79	—$121.9m	—$119.6m	2.0
	Aug 79 yr	—$1188.5m	—$948.0m	25.0
Official Overseas Reserves	Aug 79	$866.1m	$838.4m	3.0

FREIGHT MOVEMENTS

Shipping Cargo Carried	May 79	3242	2762	17.0
— 000 tonnes	May 79 yr	33338	34948	—5.0
Rail Freight Carried	April 28, 79	930	870	7.0
— 000 tonnes	April 79 yr	11726	12335	5.0

FINANCIAL

Reserve Bank Advances	Aug 8, 79	$3341.8m	$2583.4m	—29.0
Trading Bank Advances	Aug 25, 79	$673.1m	$724.7m	—7.0
N.Z. Overseas Transaction —				
— Balance on all Transactions	July 79	—$111.3m	—$3.7m	290.8
Restricted Survey of Hire Purchase	June 79 qtr	$142.8m	$131.8m	8.0
— Value of goods sold	June 79 yr	$544.3m	$485.3m	12.0
Mortgage Interest Rates — Average Yield	May 79	11.0	10.72	3.0
* Govt Short-Term Securities — average yield	July 79	10.0	8.38	19.0
* Govt Long Term Securities Average Yield	July 79	12.0	9.79	23.0
Land Transfers (value of land sold)	May 79	$316.7m	$227.0m	40.0
	May 79 yr	$3743.8m	$2552.1m	47.0
Mortgages Registered (value)	May 79	$212.6m	$169.8m	25.0
	May 79 yr	$2315.2m	$1860.8m	24.0
Mortages Discharged (value)	May 1978	$87.5m	$69.8m	10.2
	May 1978 yr	$998.8m	$906.6m	12.8
Bankruptcies (Number)	June 1979	48	56	—17.0
	June 79 yr	494	441	12.0
Sales Tax Collected (value)	Apr/May 79	$47.5m	$38.3m	24.0
	Apr/May 79 yr	$345.8m	$398.3m	—13.0
Totalisator Turnover (value)	July 1979	$20.1m	$26.6m	—24.0
	July 79 yr	$481.9m	$400.1m	20.0

LABOUR FORCE

Industrial Stoppages (Working Days Lost)	June 79 qtr	72,526	208773	—65.0
	June 79 yr	137,307	452,884	—70.0
Nominal Weekly Wage Rate Index	June 79 qtr	1177	1043	13.0
Effective Weekly Wage Rate Index (Base 1977-1000)	June 79 qtr	1000	996	—
Vacancies at Month End	July 79	1435	1535	7.0
Unemployment (At Month End)	July 79	26131	26307	1.0
People On Special Work Scheme (At Month End)	July 79	25252	20587	23.0
Migration	June 79 qtr	—7620	—7127	7.0
Total New Zealand Population	June 79 yr	3095500	3129800	—1.0
Births	June 79 qtr	12850	12359	—4.0
Deaths	June 79 qtr	6219	6288	—1.0

PRODUCTION

Electricity Generation	July 79	2093	2130	—2.0
— Million kWh	July 79 yr	21919	21449	—2.0
Coal Productions	July 79	160.8	193.8	—17.0
— 000 tonnes	July 79 yr	1961.1	2156.2	—9.0
Gas Productions	May 79	3143.4	5169.7	—39.0
— million megajoules	May 79 yr	52537.4	61277.0	—14.0
Motor Spirit — Petroleum Production	July 79	166627	170635	2.0
— million litres	July 79 yr	1858225	1611335	15.0
Motor Vehicle Assembly (Passenger)	July 79	6049	4733	28.0
No. of vehicles	July 79 yr	57422	53202	8.0
Building Work Put In Place	Mar 79 qtr	$301.0m	$269.8m	12.0
— value	Mar 79 yr	$1171.9m	$1247.2m	—6.0
Television Sets	Mar 79 qtr	22928	15796	45.0
— units	Mar 79 yr	97118	104954	—7.0
All Plastic Products	June 79 qtr	$76.2m	$61.8m	23.0
	June 79 yr	$277.4m	$244.9m	13.0

INTERNAL TRADE

Consumer Price Index (base 1977-1000)	Sept 79 qtr	1236	1101	12.0
Retail Trade — Total Turnover	June 79 yr	$509.7m	$450.0m	13.0
— current prices	June 79 yr	$6052.9m	$5283.2m	15.0
— total turnover	June 79 qtr	$836.53m	$796.63m	5.0
— 1974 prices	June 79 yr	$3334.61m	$3199.65m	4.0
— per head	June 79 qtr	$505.12m	$431.5m	17.0
— current prices	June 79 yr	$1933.6m	$1685.7m	15.0
Per head	June 79 qtr	$268.09m	$251.2m	7.0
— 1974 prices	June 79 yr	$1066.23m	$1024.8m	4.0
Wholesale Trade — Total Turnover	June 79 qtr	$1706.6m	$1446.7m	18.0
— current prices	June 79 yr	$6354.8m	$5472.3m	16.0
Stock — Manufacturers	Mar 79 yr	$2307.4m	$2170.3m	6.3
— Wholesalers	June 79 qtr	$1010.2m	$946.8m	7.0
— Retailers	June 79 qtr	$998.2m	$891.2m	12.0

Economic News

External Trade

Preliminary trade figures for the month of September, released by the Statistics Department on the 24th October show $21.6 million excess of imports over exports. This is an increase of 48.4% in imports compared with the figures for the same period in 1978.

EXPORTS AND IMPORTS

	Total Exports [1] [f.o.b.]	Total Imports [c.i.f.]	$million Excess of Exports (+) or Imports (-)
1978/79			
July	264.1	232.5	+31.6
August	278.8	331.9	—53.1
September	260.6	264.3	—3.7
Total for three months	803.4	828.7	—25.1
October	318.8	390.5	—71.6
November	354.3	316.9	+37.4
December	303.8	262.3	+41.5
January	319.1	313.3	+5.8
February	372.7	304.2	+68.6
March	409.8	295.8	+114.0
April	361.0	314.6	+46.
May	417.7	385.5	+32.3
June	408.0	415.2	—7.2
Provisional Total 1978/79 year	4068.6	3826.9	+241.7
1979/80			
July (3)	318.2	318.0	+0.2
August (3)	369.3	448.5	—79.2
September (2)	351.7	373.4	—21.6
Total for three months	1039.2	1139.8	—100.6

(1) Includes Re-exports
(2) Preliminary, all other figures provisional.
(3) Revised.

Sharemarket News

Bonus Issues of Ordinary Shares Pending

Company	Ratio	Meeting	BKS Close Inclusive	Ex Date
Aurora	1:5	NFD	—	–
AWA	1:5	—	4 Dec	27/11
Boral	1:5A	7/11	17 Nov	12/11
*Brily	2:5	5/12	1 Feb	29/1
Elichten	1:5	30/10	2 Nov	30/10
Fletcher	1:10	—	NFD	–
Hanimex	1:10	28/11	6 Dec	29/11
Inbroad	1:4	21/11	27 Nov	22/11
Indeq	1:2	8/11	19 Jan	14/1
Jsmith	1:5AB	6/11	10 Nov	7/11
McKechnie	1:8A	23/11	30 Nov	27/11
Prop Sec	1:10A	NFD	27 Nov	22/11
Rothmans	1:10A	2/11	8 Nov	5/11

A = Shares arising from bonus issue participate in dividend, see schedule.
B = Shares arising from bonus issue participate in non renounceable issue, see sched.

Current Debenture Issues

Company	Opens	Closes
A.A. Finance	8 Aug 1979	8 Jan 1980
*Auric Corporation	1 Jun 1979	1 Dec 1979
Aust Guarantee	22 May 1979	22 Nov 1979
*BNZ Finance	18 Jun 1979	18 Dec 1979
Bowring Burgess	28 Jun 1979	28 Dec 1979
Broadlands	14 Sep 1979	14 Mar 1980
Gedix Holdings	27 Jun 1979	27 Jan 1980
Challenge	11 Oct 1979	10 Apr 1980
*Credit & Investments	1 May 1979	1 Nov 1979
*Crown Finance	1 May 1979	1 Nov 1979
Finance & Discounts	18 May 1979	18 Nov 1979
*F & P Dealer Rentals	15 Jun 1979	7 Dec 1979
Foodstuffs (Otago-Southland)	11 May 1979	11 Nov 1979
General Finance	21 Aug 1979	21 Feb 1980
*General Motors	30 Apr 1979	30 Oct 1979
*Lombard N.Z.	14 Jun 1979	14 Dec 1979
Marac Holdings	5 Sep 1979	5 Mar 1980
Medical Securities	23 Jul 1979	23 Jan 1980
N.Z. Dairy Board	8 Oct 1979	1 Feb 1980
N.Z.I. Finance	1 Aug 1979	1 Feb 1980
Smiths City Market Finance	11 Oct 1979	10 Apr 1980
Transvision Rentals	3 Sep 1979	3 Mar 1980
U.D.C. (Deb. Stock & Unsecured notes)	5 Jun 1979	4 Dec 1979
U.D.C. (Deb. Stock changed rates)	5 Jun 1979	4 Dec 1979

* Changed Rates

New Prospectus: Challenge
Smiths City Market Finance

Share Price Index Statistics

April, 1979

NZUC	Year to Date	High	364.05 (Sept) 1978
		Low	317.10
	Month	High	364.05
		Low	352.09 1979
Reserve Bank	Year to Date	High	1556 (Sept)
		Low	1344
	Month	High	1556
		Low	1502

MONTHLY TURNOVER

1978	
Oct	8,761,5[illegible]
Nov	7,283,0[illegible]
Dec	6,860,2[illegible]
1979	
Jan	5,932,3[illegible]
Feb	12,433,5[illegible]
Mar	14,130,4[illegible]
April	13,100,1[illegible]
May	16,607,1[illegible]
June	10,842,5[illegible]
July	11,438,0[illegible]
Aug	13,444,7[illegible]
Sept	15,400,5[illegible]

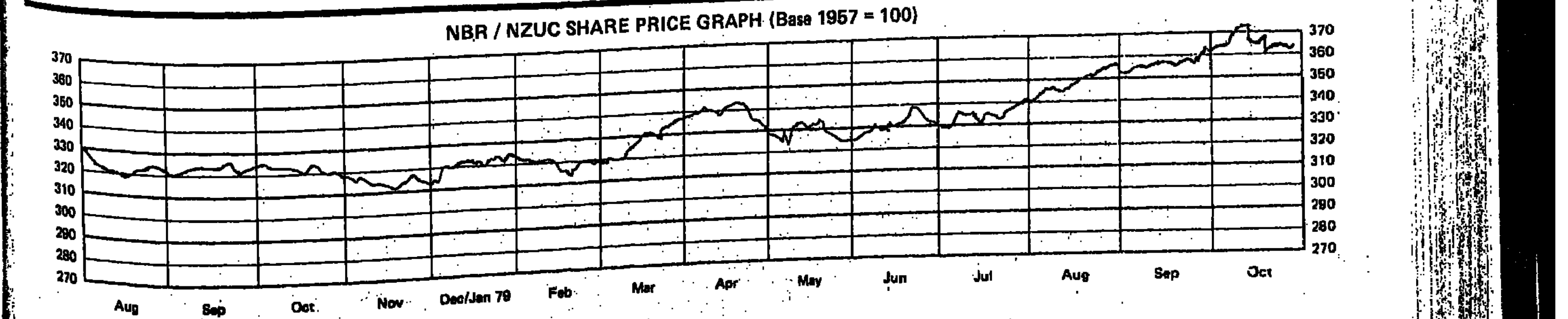
NBR SHAREMARKET SURVEY

WEEK ENDING OCTOBER 25, 1979

1979 High	1979 Low	Company	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P.E Ratio
115	100	AIRWORK,50C	105	105	105	12.0	1400	5.7	3.4
240	130	AJAX G.K.N.	220	...	...	17.0	0	7.7	4.4
110	90	A.J.WHITE	100	...	...	11.5	0	11.5	4.4
150	105	ALCAN,50C	145	...	...	20.0	0	6.9	4.4
255	220	A.M.I.	242	250	240	16.0	21000	6.6	5.7
76	58	ALLIANCE,50C	59	59	59	14.0	15000	11.9	3.1
280	220	ALLIED FARMERS	220	220	220	16.0	3200	7.3	4.8
220	124	ALLIED PRESS	19	190	190	11.0	12900	.0	.9
250	220	ALLOY STEEL	250	...	...	15.0	0	6.0	138.9
220	185	A.M.BISLEY, 50C	220	220	220	25.0	300	5.7	6.0
125	77	AMPOL PET.,50C	120	120	100	7.5	2500	3.1	9.0
145	120	A.BEAVEN	121	121	121	12.0	6600	9.9	5.1
125	104	A SPRINGHALL,	115	115	114	14.0	3000	12.2	3.7
262	220	A.WRIGHT	220	220	220	20.0	100	9.1	2.7
260	190	A.BARNETT	240	240	240	16.0	100	6.7	3.6
130	103	A.ELLIS	103	105	103	12.0	1900	11.7	3.1
330	287	ARTHUR YATES	315	315	295	17.0	4500	5.4	6.9
315	250	ASHBY BERGH	250	...	...	22.5	0	9.0	4.3
215	175	A.B.CABLES	200	...	...	20.0	0	10.0	6.5
66	49	ATLAS, 50C	60	62	60	6.5	7600	5.4	3.1
463	310	AUCK.GAS	425	425	425	13.0	3100	3.1	11.1
225	175	AURORA,50C	182	182	192	14.0	2700	3.8	8.7
		A.C.I.	198	...	...	12.5	0	6.3	6.0
92	70	AUTOCRAT HOLDS	90	90	90	8.8	1700	9.8	9.4
79	50	BAILLIE,50C	60	60	60	8.0	15200	6.7	6.7
87	72	BALLINS,50C	86	86	85	14.0	2800	8.1	6.0
150	348	BANK NSW	350	350	350	32.0	1600	9.1	5.1
82	53	BEACH PETR.,50C	70	...	...	...	0	...	...
86	63	BING HARRIS, 50C	75	75	75	12.5	300	8.3	17.4
185	154	B.N.Z. FINANCE	180	180	180	14.5	3000	8.1	8.9
57	42	BRAMBLES BURNETT,50C	53	53	50	12.0	16400	11.3	7.6
56	50	BRIDGEVALE,50C	55	...	...	6.0	0	5.5	5.7
295	201	BRIERLEY, 50C	290	290	288	24.0	36000	4.1	6.7
78	65	BOS, 50C	72	...	...	16.0	0	11.1	8.6
75	52	BROADLANDS,50C	75	75	74	14.0	83000	9.3	8.8
1440	1050	B.H.P.,$2	1200	1200	1150	16.3	3600	2.7	17.8
95	81	BROTHER, 50C	81	...	...	20.0	0	12.3	4.5
80	60	BUNTING,50C	65	65	65	11.0	1500	8.5	9.0
158	150	BURKES CAT.,50C	152	152	152	12.5	200	4.1	10.1
157	126	C.P.D.	153	154	153	16.0	13900	10.5	3.6
205	170	C.F.C.A.	195	195	195	15.0	500	7.7	6.4
180	130	C.F.M.	170	170	170	14.0	4300	8.2	4.0
220	145	CANT.FLOUR	220	...	...	15.0	0	6.8	8.1
255	140	CANT.TIMBER	255	255	250	10.0	12600	3.9	6.9
365	160	CAPITAL RADIO,50C	360	...	...	...	0	...	102.9
67	53	CAPITAL LIFE,50C	67	67	67	10.0	400	7.5	12.0
310	230	CARBONIC ICE	240	...	...	14.0	0	5.8	4.7
280	208	CARTER HOLT	280	280	266	16.0	77777	5.7	7.3
215	155	CERAMCO	192	193	191	16.0	10500	8.3	4.9
235	180	CHALLENGE	222	222	200	15.0	77777	6.8	6.0
105	85	CHENERY	100	100	98	11.0	9100	11.0	4.2
175	155	CH'CH.GAS	165	165	165	10.0	1700	6.1	6.7
265	220	CH'CH PRESS	265	...	...	14.0	0	5.3	8.7
35	25	CITY REALTIES,10C	30	30	28	16.0	13800	5.3	17.6
150	80	CLASSIC FASHIONS,50C	140	...	...	15.0	0	5.4	5.5
95	82	CLYDE ENG.	90	90	90	16.0	2000	17.8	6.6
50	38	COLLINGWOOD,50C	50	50	50	5.0	5800	5.0	6.0
220	148	COL.MOTOR	220	220	220	13.0	500	5.9	5.0
156	122	COLYER WATSON	145	146	145	6.5	3000	4.5	13.3
470	280	CONALCO,50C	400	400	400	22.0	300	2.8	20.0
132	102	COMMAND	132	132	130	14.0	5600	5.3	5.9
		COM.BANK AUST	320	...	...	18.0	0	5.6	6.3
208	140	CON.METAL,50C	148	...	...	17.0	0	5.7	5.5
7	3	CON.SILVER,4C	5	5	5	...	6000	...	...
250	160	COOKS WINE	235	235	232	12.0	4900	5.1	7.1
133	85	CORY-WRIGHT	90	90	90	11.0	1400	12.2	[illegible]
240	200	CROWN CONSOLIDATED	210	210	210	15.0	600	7.1	[illegible]
544	395	C.S.P	510	510	510	15.0	100	2.9	10.7
117	80	CYCLONE,50C	115	115	115	11.5	2200	5.0	6.4
250	195	DALGETY(N.Z)	202	205	202	12.5	6500	6.2	9.3
55	41	DALHOFF & KING,50C	50	50	48	12.0	6000	12.0	7.7
293	225	DEANES	225	...	...	10.0	0	4.4	4.3
160	150	D.I.C	150	150	150	12.5	700	8.3	12.2
185	145	DINGWALL & PAULGER	150	...	...	15.0	0	8.3	4.2
155	90	D.McL WALLACE,50C	140	140	140	11.0	1700	3.9	7.7
80	65	D.I.O.A	68	...	...	6.5	0	9.6	22.7
108	80	DOM.BREW.,50C	90	90	89	17.0	34600	9.4	8.3
285	225	DONAGHY'S	260	265	260	15.0	1200	5.8	6.1
255	235	DONALD REID OTAGO FARMER	250	...	...	16.0	0	6.4	7.0
95	82	D.R.G.,50C	90	90	90	13.5	2500	7.5	5.6
		DUNLOP (AUST)	...	...	...	8.0	0	...	...
270	200	DUNLOP (NZ)	270	270	255	25.0	6000	9.3	5.1
115	102	EBBETT	115	...	...	12.0	0	10.4	5.7
95	75	EBOS,50C	75	80	75	12.5	1200	8.3	2.8
165	123	E L'STEIN,50C	160	160	160	18.0	7600	5.6	3.5
127	71	EMPEROR MINES,10C	127	...	...	...	0	...	3.2
173	135	ENDEAVOUR	135	135	135	18.0	700	6.7	6.8
		EQUIT.BLDG	107	...	...	12.5	0	11.7	8.8
210	170	E.ADAMS	165	185	165	12.0	100	6.5	3.4
114	88	F.T.C.,50C	97	97	94	16.0	10300	8.2	4.5
76	62	F.WAIPAK,50C	66	66	66	12.5	1300	9.5	4.4
122	97	FELTEX,50C	114	115	112	16.5	49000	7.2	8.4
135	110	FIRESTONE NZ	120	120	117	...	2500	...	4.6
285	198	FLETCHER	277	277	273	20.0	25500	7.2	5.5
165	120	FOUNTAIN CORP	165	165	165	15.5	5600	9.4	3.7
128	93	FREIGHTWAYS, 50C	120	120	120	16.0	3100	6.7	5.9
130	125	GEAR	125	...	...	5.0	0	4.0	12.1
216	126	GEN.FINANCE	200	200	185	13.0	92900	6.5	8.6
116	95	G.COURT	95	95	95	11.0	100	11.6	5.5
		GIANT	76	...	...	17.0	0	21.8	6.8
275	207	G.J.COLES,50C	207	...	...	27.0	0	6.5	9.0
56	40	GOLDEN BAY,50C	49	49	49	12.0	17200	12.2	6.4
255	185	GOODMAN GROUP	235	235	230	17.0	28000	.0	4.2
48	29	GROSVENOR PROPS, 25C	43	...	...	3.5	0	2.0	15.9
240	195	HALLENSTEIN	235	235	235	17.0	300	7.2	4.9
167	160	HARLEY	165	...	...	12.0	0	7.3	7.2
225	100	HAURAKI ENTERPRISES	215	215	215	60.0	400	.0	97.7
90	62	HAWKINS,50C	77	77	77	12.0	200	7.8	4.9
102	75	HAYWRIGHTS	81	81	60	5.0	11600	6.2	33.8
210	140	H.G. FARMERS	214	214	214	...	3800	...	5.9
355	265	HEALING	340	340	340	17.5	100	5.1	5.1
215	142	H.POLLARD	215	215	215	13.5	2100	6.3	13.4
160	135	HENRY BERRY	140	140	140	19.0	4600	13.6	5.0
265	230	HODDER & TOLLEY	260	260	260	18.0	100	6.9	4.7
		HOOKER,50C	73	...	...	15.0	0	10.5	6.5
185	154	I.C.I.(AUST)	155	...	...	16.0	0	10.3	4.0
175	106	I.C.I.(NZ)	170	172	170	14.0	3300	8.2	5.4
250	185	IND BROADCASTING	250	250	230	14.0	1200	5.6	11.4
165	123	INDEPENDENT NEWS	165	165	162	14.0	3600	8.5	9.0
166	60	IND.CHEM,50C	165	...	...	16.5	0	5.0	6.4
155	118	I.W.DOW,50C	143	147	143	17.5	2800	6.1	5.5
206	158	JAMES AVIATION	180	180	180	12.5	200	6.9	4.4
145	85	JAMES SMITH 50C	130	130	130	16.0	900	6.2	7.1
255	210	J.E. WATSON	238	...	...	16.0	0	.6.7	5.5

1979 High	1979 Low	Company	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P.E Ratio
240	138	J.BURNS	185	185	165	50.0	1600	27.0	92.5
182	150	JOHN EDMOND	180	120	180	15.0	2200	8.3	3.7
72	55	J.WEBSTER 50C	60	60	60	16.0	300	13.3	8.0
140	115	J.NATHAN	130	130	130	12.0	200	9.2	4.6
190	133	J.RATTRAY	165	165	165	12.0	200	7.3	4.1
210	210	KEARNS-OATINA	210	...	...	3.0	0	1.4	9.1
89	67	L.W.RUDKIN,50C	76	76	76	14.0	9800	9.0	5.4
60	45	LANES,50C	52	...	...	11.5	0	10.7	3.9
212	180	L.D.NATHAN	205	205	205	14.0	5300	6.8	4.6
105	75	LEYLAND,50C	102	102	102	15.0	100	7.4	12.0
81	71	LION	76	76	75	17.5	27800	11.5	7.8
35	15	L.SM.OIL,50C	22	22	22	...	7900	...	55.0
310	255	LUSTEROID	310	...	...	20.0	0	6.5	3.8
145	112	MAINZEAL CORP,50C	130	...	...	16.0	0	6.2	5.1
220	165	MAIR,50C	205	205	205	25.0	500	6.1	5.2
120	100	MANAWATU,50C	102	...	...	16.0	0	7.8	5.4
190	130	MANTHEL	180	...	...	16.0	0	8.9	2.9
190	170	MARAC	175	177	175	16.0	1500	9.1	6.2
140	112	MCALPINE,50C	115	115	115	16.0	700	7.0	7.6
190	145	MCKECHNIE	190	...	...	12.0	0	6.5	6.0
120	61	MCKENZIES,50C	100	...	...	13.0	0	6.5	7.9
165	125	MIDLAND	153	...	...	12.0	0	7.8	6.6
26	12	MIN.RESOURCES,20C	23	25	23	...	6600	...	19.2
90	55	M.O'BRIEN,50C	70	70	70	10.0	1100	7.1	5.6
140	113	MONTANA,50C	126	126	125	7.5	12100	3.0	7.3
380	130	M-P.I.M.	175	175	175	15.0	7900	8.6	4.7
140	114	MOSGIEL	114	115	114	13.0	5300	11.4	4.7
80	50	MOTOR HOLDS.,50C	78	78	75	15.0	6500	9.6	3.9
90	73	MOTOR TRAD.,50C	78	78	78	14.0	6800	9.0	52.0
130	100	MSI CORPN,50C	125	125	124	17.0	15600	6.8	4.7
265	150	MT.COOK	185	185	182	11.0	8300	5.9	6.1
569	260	M.I.M.HOLDS.,50C	569	...	...	25.0	0	2.2	41.5
200	178	NAT.INSCE	200	200	198	27.0	5900	13.5	4.7
135	30	NAYLOR	135	135	135	13.0	300	9.6	2.4
535	530	NCF KAIAPOI	530	...	...	4.0	0	.8	19.1
57	38	NEIL HOLDINGS, 50C	45	48	45	12.0	4400	13.3	18.6
115	98	N.Z.CEMENT	115	115	115	12.5	6100	10.9	9.5
112	81	N.Z.F.C.,50C	102	102	102	14.0	1000	6.9	6.8
195	162	N.Z.FARM FERT.	175	...	...	15.0	0	8.6	5.8
272	200	N.Z.F.P.	269	269	260	15.5	64800	5.8	6.4
325	238	N.Z.I.G.	320	320	320	17.0	700	5.3	7.7
253	223	N.Z.I.	226	227	226	20.0	15200	8.8	6.5
30	16	N.Z.LAND,50C	20	20	20	...	3500	...	160.0
106	70	N.Z.LEATHERS	86	88	86	...	700	...	5.0
111	70	N.Z.MOTOR BODIES	70	80	80	10.0	500	12.5	4.0
148	108	N.Z.M.C	116	116	115	13.0	11600	11.2	3.8
195	165	N.Z.NEWS	195	195	195	17.0	1000	4.7	6.6
220	142	N.Z.PASTORAL	215	...	...	10.0	0	4.7	14.5
40	21	N.Z.PETROL,50C	40	...	...	...	0	...	57.1
93	78	N.Z.REFINING	92	93	88	7.5	36200	4.2	12.8
192	162	N.Z.STEEL	188	188	186	12.0	12700	6.4	3.3
395	325	N.Z.UNITED	395	...	...	25.0	0	[illegible]	7.7
120	100	NIVEN INDUSTRIES	105	105	105	6.0	1200	5.7	10.9
100	67	NUHAKA	100	...	...	...	0	...	...
66	50	ODLINS,50C	61	61	60	13.0	21200	10.7	7.1
36	63	OPTICAL HLDGS, 50C	72	72	72	12.5	260	7.7	6.9
150	120	PAVROC HOLDINGS	120	...	...	...	0	...	...
108	93	P.D.L.HOLDS,50C	93	95	95	15.0	4500	5.1	5.6
90	85	PERM.INVEST	90	...	...	11.5	0	12.8	7.4
112	102	PHILLIPPS & IMPEY,50C	102	102	102	17.5	700	8.6	5.5
95	73	PRESTIGE,50C	77	77	77	15.0	700	9.7	4.3
165	147	PRINT & PACKAGING	158	158	158	13.5	4700	8.5	5.7
400	320	PROGRESSIVE	365	365	365	11.5	[illegible]	5.2	5.7
198	132	PROP.SECURITIES,50C	195	...	...	25.0	0	6.4	11.4
105	95	PRUD.BUILDING	95	...	...	15.0	0	15.8	4.4
108	75	PYE ELECT.,50C	102	102	102	[illegible]	6100	6.4	11.2
130	110	QUILL MORRIS,50C	110	110	110	[illegible]	700	7.7	[illegible]
200	160	RADIO AVON,25C	195	195	195	50.0	400	6.4	[illegible]
390	280	RADIO OTAGO	300	...	...	20.0	0	6.7	5.2
100	90	REGINA	90	90	90	11.0	600	12.2	5.2
225	183	R & W HELLABY	205	205	202	14.0	7100	6.9	3.5
90	71	REPCO(NZ),50C	81	81	80	14.0	4000	8.6	5.9
290	220	REVERTEX	275	275	270	14.0	1200	5.9	5.6
260	228	REX CONSOL.	250	250	250	15.0	2700	6.0	7.6
215	175	RHEEM,50C	205	205	200	13.0	300	3.2	24.1
242	242	RICKSTAN,50C	242	...	...	...	0	...	29.2
118	97	ROTHMANS,50C	117	118	115	16.5	11200	7.1	5.6
300	260	R.W.SAUNDERS	300	...	...	20.0	0	6.7	2.5
278	225	SALMOND	245	245	245	16.0	100	6.5	4.8
355	210	SANFORD	340	...	...	16.0	0	4.7	6.0
155	110	SCHOFIELD	155	...	...	12.5	0	8.1	5.6
62	52	SCOTT,50C	60	60	60	12.5	2100	10.4	8.1
200	200	SELBY	200	200	200	16.0	100	8.0	5.4
265	225	SKELLERUP,50C	245	252	245	20.0	5000	4.1	4.2
148	110	SMITH, BROWN,50C	145	145	145	18.0	5400	6.2	5.6
195	166	SMITH BIOLAB,50C	170	170	170	16.0	1900	4.7	5.0
147	130	SMITHS C.M.	135	135	135	13.5	600	10.0	4.5
315	255	STH. BRITISH	287	287	282	23.5	17500	8.2	5.0
130	109	STHN. CROSS HOTEL	120	...	...	10.0	0	8.3	8.0
16	7	STHN CROSS MINS.,20C	15	...	...	...	0	...	...
225	185	S.F.M.	218	218	215	15.0	2000	6.9	5.9
90	63	SPEDDING, 50C	81	81	81	20.0	37800	12.3	8.3
110	95	STEEL & TUBE, 50C	105	105	105	18.0	1900	8.6	5.1
158	97	SUCKLING	140	145	140	14.0	1700	10.0	3.4
250	144	TASMAN, 50C	250	250	248	12.0	5700	2.4	125.0
145	120	TAYLORS	130	...	...	13.0	0	10.0	4.0
245	145	TELTHERM	175	175	175	17.0	400	9.7	5.2
86	75	TNL GROUP,50C	82	82	82	14.0	11100	8.5	8.4
435	345	T J EDMONDS	365	365	365	20.0	2200	5.5	5.9
100	65	TOLLEY	75	75	75	7.0	700	9.3	10.3
90	60	TOUR FIJI	65	65	65	...	400	...	...
45	35	TRANS ASHBURTON, 50C	40	...	...	12.0	0	15.0	3.7
115	95	TRANS (NTH. CANT.)	105	...	...	14.0	0	13.5	3.6
255	135	TRANSVISION	230	230	227	11.0	9300	4.8	14.0
160	135	U.D.C.	147	150	147	12.5	3700	8.5	6.6
103	80	U.E.B.,50C	102	102	100	17.0	94900	8.3	6.5
95	93	UNITED BLDG	93	...	...	15.0	0	16.1	4.8
165	120	UNITED PUBLISHING,50C	165	165	165	20.0	200	6.1	4.6
88	52	VACATION,50C	70	70	70	11.0	200	7.9	5.4
160	134	WAITAKI-NZR	150	151	150	13.5	22100	9.0	4.3
310	255	WALKERSHALL	310	...	...	14.0	0	4.5	6.2
106	88	WATTIE,50C	101	101	100	15.0	47500	7.4	4.5
455	130	WELGAS	450	...	...	12.0	0	2.7	9.4
185	90	WILKINS & DAVIES	175	175	175	15.0	1000	8.6	13.2
175	134	W.JEFFERY	136	136	136	12.5	1500	9.2	4.0
268	225	WILSON & HORTON	255	255	238	18.0	6900	7.1	5.0
135	100	WILSON DISTILLERS	120	125	120	...	1200	...	56.0
380	290	WILSON NEILL	300	300	300	16.0	1500	5.3	5.0
93	75	WINSTONE,50C	80	80	78	15.0	19200	9.4	4.9
191	115	W'WTHS (AUST),50C	122	...	...	21.0	0	5.8	7.7
380	200	WORMALD	380	...	...	15.0	0	3.9	5.1
205	170	W.R.CARPENTER,50C	170	...	...	23.0	0	6.8	212.5
130	105	W.SUTHERLAND	130	130	130	...	100	...	9.0
220	220	ZEALANDIA	220	...	...	10.0	0	9.1	15.4

NBR / NZUC SHARE PRICE GRAPH (Base 1957 = 100)



NZ offers resources: Japan stakes capital

OVERSEAS TRADE

TWO important points emerged loud and clear from the three-day Sixth Japan-New Zealand Businessmen's Conference in Auckland.

- New Zealand has the resources, and
- Japan the money and know-how to develop them.

It was a case of everybody being ready, willing and able, to get into the act.

Goodwill and a spirit of co-operation prevailed throughout the two plenary and two group sessions.

New Zealand co-chairman Brian Tolley, set the atmosphere at a news conference the evening before the 150 delegates got together for the official opening.

He made clear that the job of straightening out this country's economy and restoring prosperity lay not with the Government, but with the business sector.

The business sectors of both countries, Tolley noted, had maintained contact and good relations throughout the 'cool' period following Muldoon's bickering with the Japanese Government over fishing rights to the 200 mile economic zone.

Tolley and his group leaders, W Haddon Vernon of New Zealand Steel Mining Ltd, Peter Johnston of W & R Fletcher (NZ) Ltd and Ken Forsyth of Seatrans Consolidated (NZ) Ltd were out to sell New Zealand's resource potential to the Japanese, who appeared almost as eager to accept the outlines put forth.

Tolley got off to a positive start by announcing at the opening a target growth figure of $2 billion in bilateral trade by the year 2000.

Alluding to the Government's effect on the business sector, Tolley told delegates:

"Probably the most destructive force in the 1970s has been the fear of uncertainty. This is particularly so in industry which has become very vulnerable to administrative decisions, there are many examples of this which have had the effect of slowing down investment and the whole process of decision making."

Tolley said New Zealand's resources, coupled with an infrastructure to enable them to be exploited and a well educated labour force, should enable us to offer under appropriate balance, opportunities for Japan.

Deputy Prime Minister Brian Talboys wasted no time at the conference opening reminding the Japanese that the Government wants fair conditions and access in agricultural trade.

He spelled out to the Japanese there would be no privileged treatment for potential foreign investors, a referral perhaps to the 15-man investment-seeking mission under Manufacturers' Federation president Fred Turnovsky who was in Germany the same week.

Talboys reiterated the Government's stand on a more liberal foreign investment policy and announced the publication of a growth opportunities catalogue to be published later this year.

Talboys spoke also of Government efforts to make the process of investing capital here smoother.

And attention was drawn to the formation of an Investment Unit with the Department of Trade and Industry, to assist local and overseas investors in researching their proposals and in gaining necessary Government approvals with minimum delay.

The Japanese outlined their continuing need for reliable supplies of raw materials, and in particular, energy.

Koichiro Ejiri, executive managing director of Mitsui and Co Ltd said Japan would welcome the opportunity of investing in New Zealand's surplus coal, gas and hydro power.

"We shall be pleased to provide all possible co-operation, especially in regard to technology and finance," he said.

Earlier, Japanese chairman Norishige Hasegawa, who is vice president of the Japan Federation of Economic Organisations and chairman of Sumitomo Chemical Co Ltd, said his countrymen are particularly interested in investing capital in tourism, fishing, forestry, coal, natural gas and other mineral resources.

The three groups — A discussing raw materials and manufactured goods, B discussing foodstuffs and C discussing transport and tourism — issued reports at the end of day two.

Group A noted Japanese requirements for regular moisture regain and residual grease content in scoured wool, and inquiries into processed wool. Japan also expressed a need for freight rates between the two countries to be contained if wool was to be competitive.

The question of radiata pine as a Japanese building material was aired, particularly Japan's 10 per cent duty on sawn pine.

The Japanese said production of crude steel had declined, and as a result, contractual quantities of New Zealand ironsands could not be accepted. However, output in Japan is gradually improving.

Foreign investment again surfaced during the Group A discussions, and both sides noted the Government's relaxed approach to this area, particularly with joint ventures.

Group B reported it had made progress in the areas of fishing and kiwifruit, and assured the Japanese there would be sufficient supplies of lambs and mutton available.

Both sides touched on dairy imports and the Japanese surpluses of butter and skim milk.

New Zealand's ability to export frozen and fresh vegetables and fruit to Japan lay in its ability to compete with other countries, particularly the US, the delegates heard.

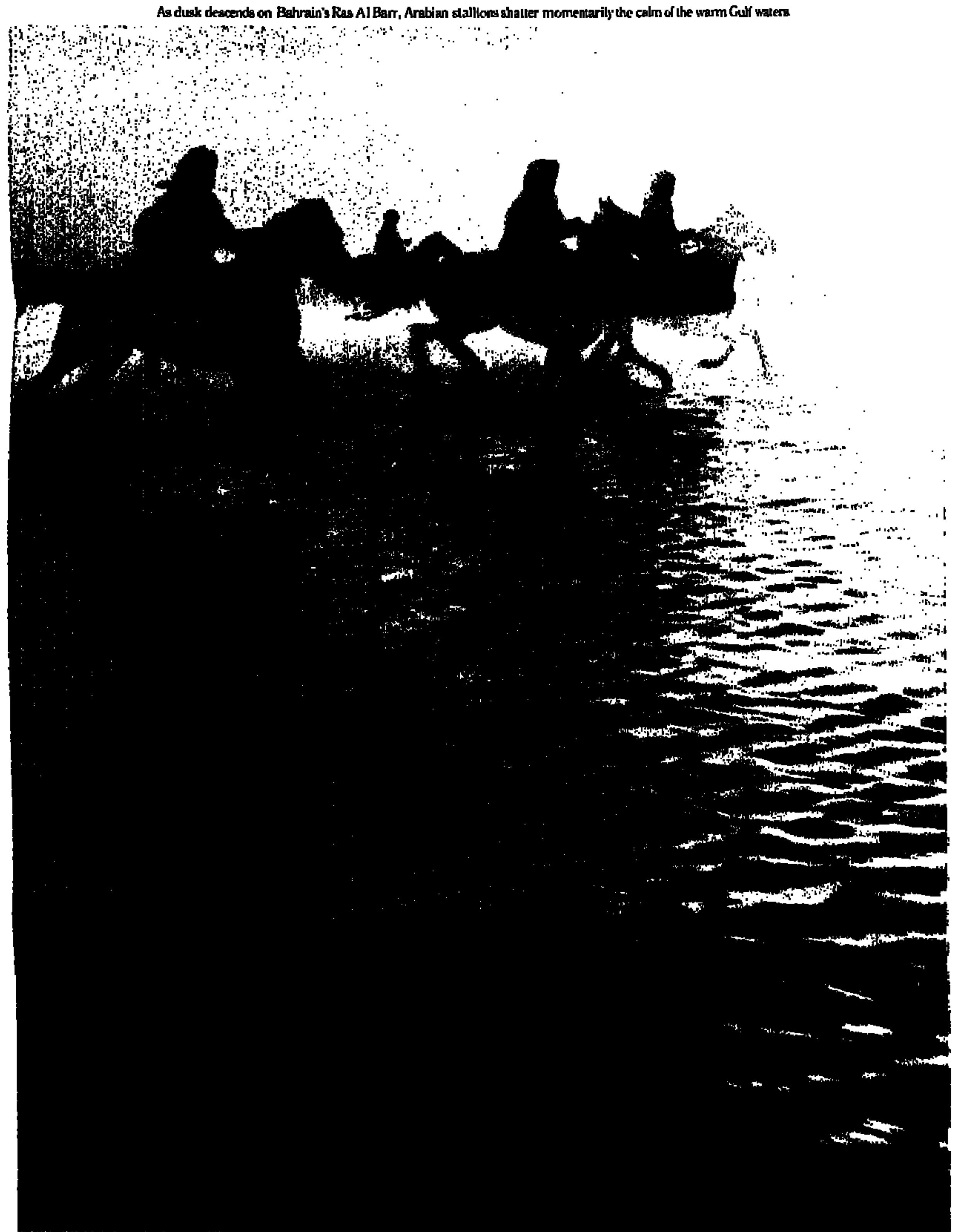
In general, delegates from both sides undertook to examine further, any grey areas of concern within the present trading framework.

Group C, on transport and tourism, discussed possible Japanese investment in New Zealand's tourist industry following the opening of direct air links between the two countries in April next year.

The Japanese raised the need for more efficient port facilities — a must if Tolley's $2 billion target is to be met — and the need to maximise the existing services to avoid extravagance in sea transport.

In a joint communique at conference end, Tolley and Hasegawa expressed optimism for the future trading relations between New Zealand and Japan, and in the success of Japanese investors wanting to develop our resources.

As dusk descends on Bahrain's Ras Al Barr, Arabian stallions shatter momentarily the calm of the warm Gulf waters



California, here we come— kiwifruit and all

by Katherine Findlay

OVERSEAS TRADE

HOLLYWOOD starlets may soon be nibbling New Zealand delicacies in a Los Angeles restaurant which will boast food, fittings and front-of-house staff from this country.

And if all goes to plan for Export Provedores (New Zealand) Limited, such a restaurant will be but number one in a world-wide chain.

Attached to each restaurant will be a shop stocked with top-quality New Zealand food and food-related products.

It's no pavlova-in-the-sky idea (although 'soon' may be a slight exaggeration).

"It's not even an original idea," says managing director, David Conway.

"The Scandinavians have been doing it in London for years. We've been thinking about it on and off for a number of years, but it takes a long time to carry out a research programme."

Export Provedores is an Auckland Company whose five directors and shareholders come from a "who's who" of the New Zealand catering industry.

Conway ran a hotel in his native England for eight years and is managing director of Hospitality Press Limited.

He is founder and president of the South Pacific Hotel and Catering Institute, the professional management body of the accommodation, food and beverage service industry.

Chairman is Harold Innes, a former managing director of Waikato Breweries, patron of the Connoisseurs Club, and the driving force behind the conversion of Auckland's Albion Tavern into an English-style pub.

The other three are Dennis Marshall, who is cabin services director of Air New Zealand, Cliff Trillo, of Trillo's Downtown Limited and president of the Food and Cookery Association of New Zealand, and Terry Dunleavy, executive officer of the Wine Institute of New Zealand.

London, — the centre of our biggest export market and host to a large expatriate kiwi population — initially seemed the obvious place to begin such a venture.

Over the past two years the company has used the research resources of a brewing company to examine the possibilities. The upshot was the conclusion that they needed a location which had a direct and regular Air New Zealand service.

The arrow swung towards California.

Export Provedores is negotiating with an American food-service group (Conway declines to name it), which has its own hotel chain, a commercial catering outfit, advertising agency and transport fleet.

"You name it, they've got it," says Conway.

A tentative location in Los Angeles has been found.

"We believe in having a major partner in the base area. You have to know what the trends are, what type of establishment will succeed, what the best area is for it, and what is the best location within that area," says Conway.

"You have to know the local regulations about things like health, fire and the employment of staff. If you try and organise that sort of thing from New Zealand you'll fall flat on your face.

"After all, you are in direct competition with every other restaurant in the area."

Because of that competition, the style of cuisine will be American.

If the trend favours southern-fried lamb with sliced kiwifruit on top, then that's how the patrons will get it. None of Mrs Kiwi's Saturday night roast leg and baked spuds.

"We're not missionaries for New Zealand cuisine," says Conway.

"We're missionaries for New Zealand food and associatied products."

Except for the chef and the manager, staff will be employed by the American partner.

Young New Zealanders planning a trip to Los Angeles under their own steam may be recruited by the company in New Zealand, but in general plans are to keep the New Zealand end of the operation fairly lean.

DAVID CONWAY ... not even original

Once Export Provedores knows the cost of this venture it will expand into a public company. But any profits will go into restaurant number two.

For this reason Conway sees as ideal shareholders people or companies which want to promote their own export products. Exporters of carpets, wine, crockery, table linen, for instance.

The Export-Import Corporation has expressed interest in the venture and Export Provedores has informed the Government of its intentions.

It is not looking for Government involvement, — just help.

Help which in a private enterprise country Conway expects in the form of lack of hindrance.

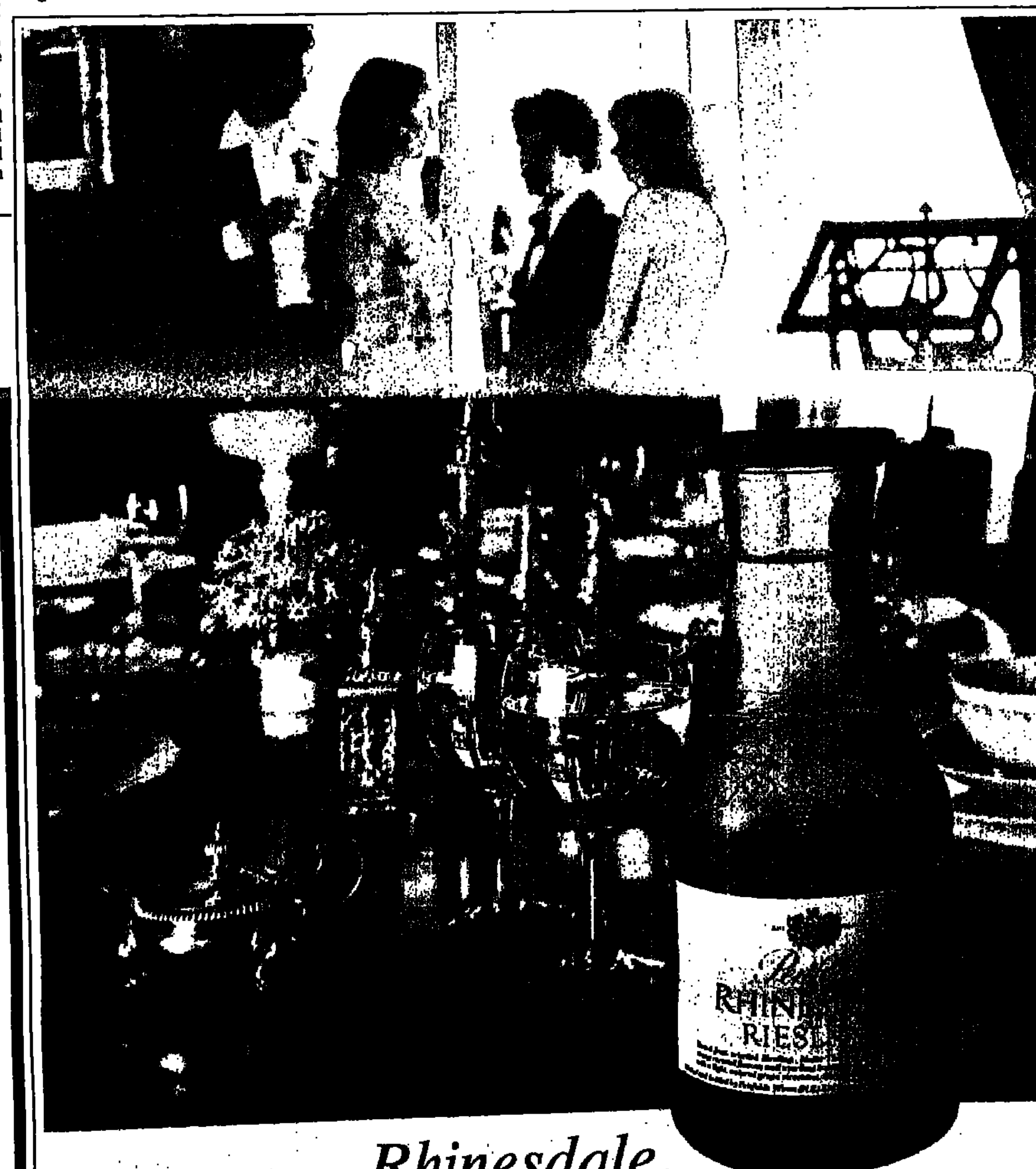
Government interference in commercial practice is all too prevalent, he says.

The idea has been enthusiastically received by exporters — and, from people who want work in the United States, says Conway.

He and his fellow-directors are optimistic. "We wouldn't have gone this far if we weren't," he says.

"The Americans do a lot of planning and a lot of research.

"But when they decide to move, things happen very quickly."



I myself personally...

TESTIMONIAL or endorsement advertising has proved to be an effective technique for a number of products and it is still widely employed. In using it, there are certain canons that should be observed.

If it is a serious endorsement, not just a funny (which can also be highly resultful), then the star needs to have some association or experience with the product category and should command respect for his authority with prospective users of the product.

John Walker and apple juice go together. Sir Edmund Hillary endorsing camping equipment has the appropriate status. Montana uses the endorsements of European wine connoisseurs.

Then he or she must appear as a credible user of the product. And it seems axiomatic that the relationship must be exclusively between the endorser and the product.

So, when Air New Zealand signs up Alan Whicker as its advertising spokesman, it would seem to have made a good move. Whicker is known universally as a non-stop traveller and he should certainly rank as qualified to talk about air travel.

Whether he's a respected figure (apart from as a TV tourist guide) in this country is a matter of opinion but many of us would think his opportunities for travelling Air New Zealand would be fairly limited.

But Air New Zealand's chief executive Maurie Davis has indicated that Whicker is a big banana on American TV and that's a mighty important market.

But Davis has also said that "When he fronts for us (Air NZ) it will be the very first commercial series he has done —anywhere in the world." And Whicker talked about his testimonial tie-up as akin to "losing his virginity".

But John Kirk MP has produced evidence that Whicker appeared in BEA advertising in 1973.

Apart from the difficulty of recycling virginity, his previous appearance in airways advertising leads to all sorts of doubts about the credibility of any praises that Whicker may shower on Air New Zealand.

It could even be thought he was saying it only for the money.

Davis won't reply to Kirk's allegation that the payment for Whicker's services is $200,000.

Kirk suggests it's too much. Well, it's big bikkies. For advertising Bulova watches, Kirk Douglas received only $150,000 a year.

Fine focus blurs image

ADMARK'S September 12 page carried a story based on the latest BCNZ radio survey. Quite correctly, we believe, it featured as news the emergence of Radio Pacific as a serious contender in the commercial radio stakes.

A letter from Radio New Zealand's district manager in Auckland, Ron Wilkinson, acknowledges the accuracy of the story but calls our attention to "the not so obvious major gains for 1ZB where it counts."

He points out that 1ZB's losses to Pacific are principally in the daytime zones above 45 and overall above 55 and that 1ZB made important gains in the breakfast zone in both 25-29 years and 30-34 years.

We don't dispute it. The figures we did publish were for overall performance. The finer details of demographics are to be mined from the report itself and can't be handled in the confines of a relatively brief account.

Shanghai ad monopoly ends

THE Shanghai Advertising Corporation's monopoly of import and export advertising in China, reported in the Admark issue of September 26, has ended according to a report released in New York on the same day.

McCann-Erickson Jardine (China) Limited is a new joint venture corporation being set up in Peking to provide advertising services to western clients in China and to Chinese foreign trade corporations outside China.

McCann-Erickson, part of the world's biggest agency system, the Interpublic Group of companies, will be responsible for the

ADMARK

professional and managaerial aspects of the agency operations.

Jardine, Matheson and Co, a leading Hong Kong based trading firm which has been involved in Chinese trade for 150 years, will be responsible for relations with Government and commercial organisations within China.

Suburban hits the streets

A NEW fortnightly suburban newspaper, Southern News, has been launched in Wellington, with a circulation of 10,500. It is published by Community Press Ltd which just over a year ago, introduced Eastern Suburbs News to replace INL's withdrawn Sentinel.

Response to the new paper has been excellent reports director Michael Veal who hopes that, like its sister paper, it will go weekly, probably early next year.

Also published out of the same offices as Community Press Ltd is the Karori and Western Suburbs News owned by the Kitching family.

The advertising sales structure is geared to selling for all three papers which means an advertiser can now cover 30,000 homes through three papers with one order.

The Community Newspapers Association is pushing hard the results of a recent survey which shows suburban papers have an exceptionaly high readership and retention level.

Belle of the ball

QUEEN OF THE TAR . . . a six-tonne date

IF YOU'RE selling equipment of any kind to the transport operators who make up the membership of the New Zealand Road Transport Association, the annual conference represents a golden opportunity.

And if you are a relatively young company with a new product, you need to make a fairly large impression to be heard above the clamour.

Bandag Industries, to promote its new and somewhat revolutionary retread product, decided to sponsor the conference ball, a prestigious affair catering for 800 people.

It turned to its advertising agency, Wood & Mitchell, Auckland, for suggestions as to how the sponsorship could best be used to exploit the product.

The result was that Bandag asked a truck to the ball — not just any truck, mind you, but the fastest truck in the world — six tonne "Waltzing Matilda", flown across the Tasman for the occasion.

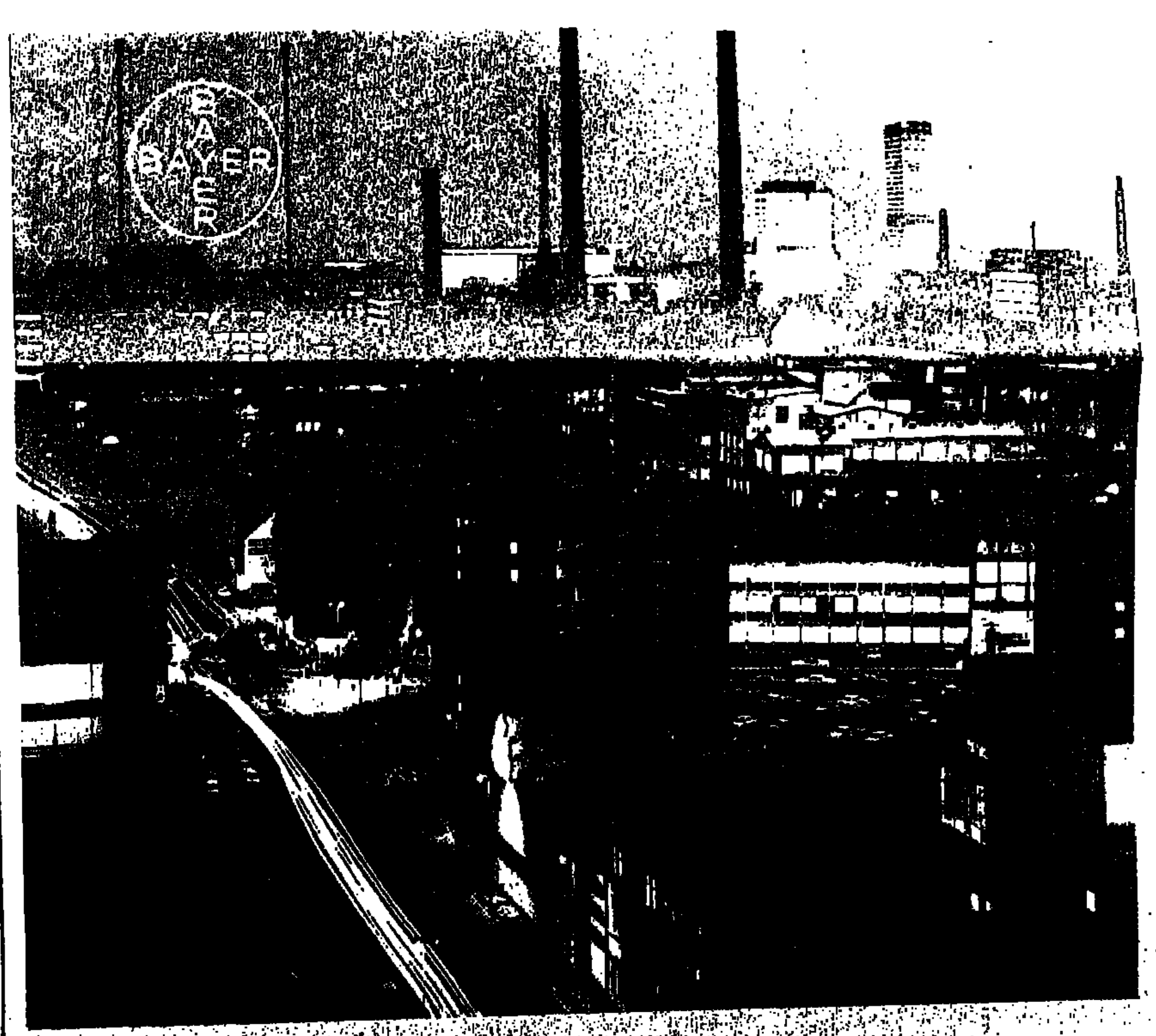
It was easy to see that Matilda wore the Bandag name on all its tyres and for those who weren't looking, there was another way to get the message.

Country singer Ray Kernaghan was the driver and performed such numbers as "Matilda — queen of the tar" and "Bandag, we've been down that road before."

As a spin-off, Matilda was sent on a promotional tour around the North Island which included showing her paces on the straightaway at Thunder Park, Hastings.

Wood & Mitchell used Radio New Zealand stations to build public interest and awareness of the tour.

"Calls about Waltzing Matilda overloaded the switchboards, the stations told us," said Tim Wood, Wood & Mitchell's Auckland manager. "What those stations did for the promotion was magic."



Giving marketing a push — from the other end

by Ray Mazengarb

INCENTIVE marketing, the subliminal marketing tool that chases increased sales, is quietly becoming accepted by companies here. But it is not yet the big business it is in Australia.

It seems most New Zealand businesses still prefer the medium of advertising.

But Auckland-based Tonini Promotions, a subsidiary of WHT Advertising & Marketing, has been plugging incentive travel schemes for companies in the 1980s.

A day-long conference in Wellington included sessions on how to plan and operate incentive programmes, the tax law implications, and case studies to demonstrate how such schemes can help marketing.

Incentive marketing, basically, chases the same end as advertising — increased sales. But it approaches the problem from the opposite direction.

Advertising is geared toward persuading the consumer to buy. Incentive marketing is concerned with motivating representatives, distributors and retailers to sell.

Its advocates say incentives can be used to generate enthusiasm for new products, encourage volume buying, bolter off-season slumps, curtail absenteeism, attract new employees and increase productivity.

Introducing the concept — a kind of update on the carrot and donkey philosophy — Tonini managing director Noel Rugg said, "we're not talking about contests".

Contests offer a slim chance; incentive programmes, on the other hand, are so organised that everyone who participates can achieve something, he said.

The aim is productivity...motivating people to achieve more in their jobs by dangling attractive carrots before them.

Consequently the activity requires a high budget, depending on the number and value of the carrots a firm is prepared to feed out.

Tonini's Auckland competitor, Merchandise Incentive Co Ltd, works on the basis of merchandise catalogues presenting a range of "awards" that become available when targets are achieved.

Tonini's approach is a succession of "game" promotions built around golf, racing, rugby, poker parties and so on.

Rugg says merchandise catalogues are useful as a oncer, but he says it's not the kind of approach that can be developed and built on year after year.

Further, getting the number of points necessary for a reasonable award can be a long-term proposition and enthusiasm can flag.

Tonini specialises in constructing multi-layer, continuing incentive programmes for its clients, (among them: Nestle, Luxaflex, Agfa, Ford, Hansells, Yocks and Air New Zealand).

Each programme is conducted in an intensive three to four month burst.

Tonini Promotions made frequent use of video tapes at its Wellington conference.

The message was punchy and "hard sell'.

One tape drew on Maslow's famous hierarchy of needs to show what incentives are all about.

People work harder for things that money cannot buy, social acceptance, recognition and self-esteem.

Planned incentive schemes which appeal to these needs are an effective marketing tool.

Travel awards can motivate for a much longer time than a lesser benefit, the film suggested — especially international travel awards.

The winners should travel as a group, including members from various layers of the business, from management down.

The goal is greater productivity and thus higher profits.

Neville Tonini, the Australian incentive operator and joint owner of Tonini Promotions in New Zealand, talked about incentive campaigns run for Australian companies.

The incentive area was one of the rapid growth areas in Australia, bringing in millions of dollars each year he said.

But he warned that companies should start with low-budget programmes, working them up gradually according to the results.

Neville G. Tonini and Associates operates with client companies, the airlines and merchandise companies in Australia.

Today the area is sophisticated.

Because of the vast complexity of laws surrounding incentives in Australia his firm had retained a full-time tax consultant, Tonini said.

Among clients are insurance companies, oil companies, the breweries, automotive companies and electrical appliance companies.

Tonini now has [illegible] referred to it by advertising agencies. The agencies suggest that an incentive scheme is required, pass the work on to Tonini and [illegible]

At the same time, [illegible] Rugg, incentives can't substitute for advertising.

If pricing policies, distribution and advertising are wrong, incentives can't help. "It's part of the [illegible] mix."

The key is to keep the [illegible] of the programme low.

Tonini runs the possible [illegible] permutations through [illegible] computer before proceeding. Once costed out and a [illegible] quoted, Tonini indemnifies clients against additional costs.

But incentives such as the [illegible] highlighted obviously are [illegible] appropriate for all business[illegible]

A representative from [illegible] record company said he was "not too keen on the travel aspect".

His company found that [illegible] employees travelled out of the country, they did not want to come back.

But he conceded that carrots are more effective than a big stick.

Planning a profitable incentive programme

PLANNING and operating a profitable incentive programme requires many considerations. Among them:

- How long will the programme run? (It depends on the objectives.)
- How many participants will there be?
- Will the scheme be single level or multi-level, management or shop floor, retail or wholesale level?
- What is the product which is to be promoted, for its value will determine the cost of the programme?

Tonini talked about budgeting, creating a theme, launching the programme effectively and administering it efficiently.

And incentive programmes can be costly — many well into the $100,000 range.

There are three ways to fund them:

- Out of the advertising budget. This means a closed budget and obviously restricts the value and number of prizes.
- A portion of costs from advertising, to cover administration costs, with prizes funded from gross profit contributions, either as a percentage or a set monetary value per item.
- Profit over the previous year's profit, or "incremental business".

Fillip for Philips and kick for a shoe company

TONINI'S "Reach for the Sky" campaign was mounted in Australia in 1976 to save Philips Industries from what might have developed into a liquidity crisis.

Philips had in stock more than 10,000 radiograms and little hope of moving them without upsetting the trade, since they would be forced to discount heavily.

The campaign was directed toward dealers.

Launched in September that year, the message was "we will plan your holidays".

For each radiogram sold, $25 (otherwise lost in discounting) was converted to travel money.

All programmes were open-ended except for the first, which had a closed budget.

The more radiograms sold, the higher the reward.

In just three months all radiograms were sold without upsetting the market and some 600 people won holidays.

Only administration costs came out of the ordinary advertising budget. The rest was by way of gross profit contribution.

The programme was short and snappy, and launched at the right time.

BP's programme — to improve sales — was called "Profit-makers '78" and aimed at dealers and forecourt people, and run on a points system.

It was a complicated programme. Country service stations had to be able to compete fairly with the busier city stations.

The various petrol stations were divided into groups, based on petrol volume.

BP arranged additional deals through suppliers such as Dunlop. These deals were passed on to the service station operators.

The programme was launched by professional presentators and though at first sight costly, did not cost the company much because of a marked improvement in sales, and contributions from supporting companies.

Dealers and staff were given the opportunity to work toward an increasingly exotic range of holidays, depending on the targets reached — Hawaii, Fiji, and so on.

An additional incentive was added to boost oil sales, — large cheques which key people would hand over if their oil was automatically checked when they drove into a service station.

The first time these key people "did the rounds", only 30 per cent of the service stations did automatic checks. By the third time, the response was some 80 per cent.

The New Zealand company has not conducted programmes here on the scale of its Australian associate. The largest programme here cost $60,000 — but the principles are the same: an organised assault at every stage in the distribution and sales chain, a programme that builds on the previous year's activities, and a regard to the pulling power of the travel incentive.

For Yocks (now part of Feltex), Tonini has conducted programmes for numerous brandnames, in the watch, toy and consumer plastic product ranges.

SALES BOOST . . . firms offer exotic incentive range

Among these has been the continuing incentive programme for Citizen watches, with each year's sales beating Tonini's projections by impressive margins.

By 1977 Yocks was into travel proper, offering trips to Fiji and so on.

Programmes were multi-layered, aimed at retailers, wholesalers and sales reps.

Tonini took a gamble when it launched a programme for a shoe manufacturer which was in receivership.

Rugg pointed out it was an illustration of the importance of the client providing Tonini with all the relevant data. For instance, once sales take off, what are you likely to run out of?

The shoe company ran out of bootlaces.

But the programme pulled the company out of trouble and has been running it ever since

Avoiding the tax trap

WORKING up your own incentive programme sounds easy enough, but there are traps for the unwary. Example: the taxation trap.

Incentives come within the fringe benefit area, which has been the subject of continuing debate.

If an employee receives incentives from a company for achieving a certain sales level, are they subject to tax?

If so, how do you calculate the taxable value of, say, a television set or an overseas trip?

Wages, salary, commissions and bonuses are subject to income tax. But the doubt arises when the payment is in the form of goods.

Auckland tax specialist David Bevan said it appeared that where a business firm conducted selling competitions, the prizes, in the form of goods or trophies, generally were not assessable.

But where those prizes were used by the employer as an inducement (for example, a work attendance incentive such as a monthly raffle or prize), generally they are assessable income whether in cash or otherwise.

That is because they are viewed as rewards for doing normal duties and that aspect brings them within the framework of "income in the course of employment".

If the prize was assessable, the value of the benefit was the resale value at the time the prize was received, Bevan said.

Gifts and prizes to salesmen which were not regular, nor a condition of employment, generally are not taxable, according to a 1976 Inland Revenue Department pronouncement.

Bevan advised that if a scheme was introduced it should be changed regularly. The scheme should be structured in a way that it would not fall into a too regular pattern.

Take care that participation in the scheme did not appear to be a condition of employment, Bevan said.

That might mean producing two sets of correspondence for prospective employees, one which could safely be perused by the Commissioner of Inland Revenue.

Bevan cited examples of what might or might not be caught under the legislation.

Options of a prize or its cash value took the scheme into a grey area, but the result most certainly would be the "goose" had been "cooked", he said.

The incentive must be given in such a way that it was not expected as a reward for normal duties, but as something given in a spirit of generosity for exceptional performance.

Moreover the programme should be structured so that the employee did not get a choice. Better still, that the prize should not be convertible to cash within the system.

Hellaby back at school

ALAN HELLABY (right) ... takes up fellowship.

IT was back to the classroom for industrialist Alan Hellaby when he took up the first of the prestigious IBM Fellowships at Massey University.

He spent two days in the business studies faculty, learning about the courses, and talking with staff and students.

The fellowship, promoted by Massey University and sponsored by IBM, aims to weld closer ties between industry and the university.

Business faculty dean, Professor George Hines says it will provide a two-way exchange between academics and industry.

Hellaby said he was impressed with the business school's activities and programmes.

He said industry urgently needed graduates coming into the workforce with a wide range of experiences in the business subjects available in the courses.

He said he was particularly pleased to see courses in industrial relations, personnel management, and communications, at university level.

Although aware of the business course at Massey (son Tom is a third-year bachelor of business studies student at Massey) said he had not appreciated the practical aspects of the teaching.

"Unfortunately too many company executives do not appreciate that business will benefit from better educated young executives," said Hellaby.

"They still see the training of young executives as being in their hands and that any outside training is only a waste of time."

He hopes that the fellowship will encourage others to be more receptive to accepting business school graduates.

Each year three fellows will be named to spend two or three days on the Massey campus.

Hellaby, chief executive of Hellaby Meat Exporting Company, and a member of Massey University Agricultural Research Foundation board, was treated to an intensive round of lectures, seminars, meetings and tutorials.

Japan plays trump card in South Pacific trade stakes

David Roble
in Papeete

JAPAN upstaged the major donor nations as delegates gathered in Tahiti on the eve of the South Pacific Commission's 19th regional conference.

Usually a dull affair mapping out an economic blueprint for the sprawling chains of island nations with about 4.5 million people, stretching from Papua New Guinea in the west to Tahiti in the east and Australia and New Zealand, the summit was given an early fillip.

The day before it began, a 15-strong Japanese delegation headed by former Cabinet Minister Takeo Okubo was on hand to play a trump card.

They offered host French Polynesia a grand co-operation formula calculated to put Japan in a strong position to cash in on this archipelago's five million square kilometres of sea as part of a major bid to wrest a share in the South Pacific's vast ocean potential.

The mission, from the newly established Japan Association for South Pacific Economic Cooperation (JASPEC), said the Japanese were prepared to make available two experimental fishing boats to Polynesia, carry out research in Tahitian waters to evaluate tuna potential and train Tahitian fishermen in Japanese fishing methods.

In addition, Japan was prepared to set up a joint aquaculture research venture on a Polynesian atoll, probably in the Tuamotu group. And Japan Airlines would reopen a route from Tokyo to Lima through Papeete which had been abandoned by the French airline UTA with the objective of boosting the 20,000 a year flow of Japanese tourists to the South Sea paradise.

The Japanese are seeking to compensate for their heavy balance of payments surplus with exports to the French territory totalling $10 million a year — about 10 times the imports.

But the moves were rather disturbing for Australian, New Zealand and French delegates at the conference — particularly the French.

Although the offer has to win the blessing of the Territorial Assembly and French Polynesian officials were delighted with the prospect.

"Of course, we would prefer some sort of co-operation with New Zealand," says Frank Sanford, the 67-year-old Government council vice-president — unofficial Prime Minister.

"But with New Zealand, at the moment, it is a one-way business. Most of our consumer products such as meat come from there while our sales to them amount to virtually nothing." (Tahiti's imports from New Zealand are at present on a par with those from Japan).

Minister of Ocean Resources Alexandre Ata is far more enthusiastic. "The sea is where our future lies as a nation so we may as well take what opportunities we can."

Okubo later cautioned that the offer wasn't as clear-cut as the Polynesian side indicated. But as observers pointed out: "the Japanese haven't come all this way for nothing".

Shigeru Nakamura of the Japanese Foreign Ministry's Oceania division, said Tokyo was not directly interested in French Polynesia but he understood business interests were keen to get a toehold in the territory.

Poll identifies overlords

MATERIALISTIC fish eating economic overlords are the impressions the Japanese create to most New Zealanders.

And the Japanese are more than a little upset.

Very few New Zealanders know anything much about their third largest trading partners according to a survey commissioned by the Japanese Embassy in Wellington.

On Japan-New Zealand trade for instance, 87 per cent of those surveyed believed that the trade balance was running in Japan's favour. Reserve Bank statistics show that that has only been so once in the last decade.

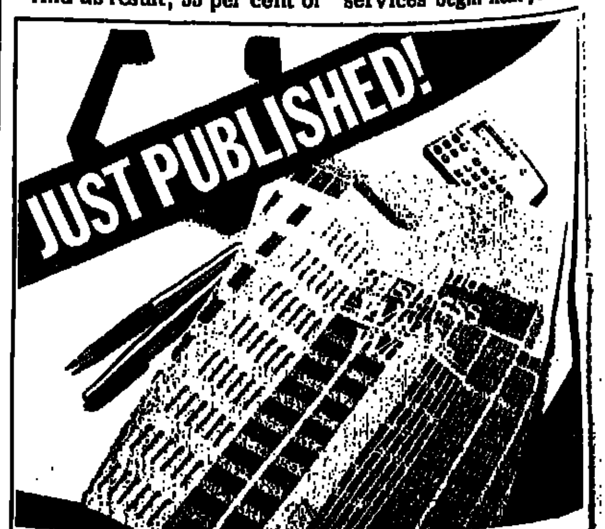
And as result, 55 per cent of those questioned said they did not want to see a greater share of Japanese goods on the local market.

On the positive side the Japanese are seen as hard working and efficient

But though around half the respondents knew Japan was a democratic country, a quarter believed it to be a dictatorship and 8 per cent thought it was Communist.

Secretiveness, copying ideas and militaristic were held to be the most undesirable characteristics.

As few New Zealanders associate Japan with local food or culture watch out for an intensive campaign by Japanese Airlines when direct services begin next year.



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Bowel cancer remains a disease of the affluent

by Belinda Gillespie

ONE of the so-called diseases of affluence, cancer of the bowel contains many puzzles.

Along with Western Europe, North America, Great Britain and Australia, New Zealand is one of the high risk areas of the disease. At the other end of the scale, the people of Japan, Uganda and Yugoslavia have less risk of getting bowel cancer.

Geography and climate have been ruled out as the environmental factors responsible for the disease. Within a city the size of Hong Kong, risk increases along with higher socio-economic status.

Nor is the global variation anything to do with race, suggest studies of Japanese who have migrated to the United States. Within two generations, migrants going from a low to a high risk area take on the risk of the population into which they are settling.

The great difference in incidence between Europeans and Maoris, who have only one third the risk of getting bowel cancer, may be due therefore to environmental factors rather than race.

But this "intriguing difference", according to a report in the New Zealand Medical Journal, has still to be investigated.

New Zealanders suffer more cancers of the bowel than any other type of cancer, apart from simple skin cancer.

It vies with lung cancer as the leading cause of death from malignant disease, according to the NZMJ report. And though treatment has better results than for some other types of cancer, they still give "little cause for satisfaction".

About 1600 new cases are reported each year. Making allowances for the different age structures of populations, New Zealand and parts of North America lead the world in the incidence of the disease.

Long-term figures to show whether bowel cancer is increasing are not available in New Zealand. Worldwide however, the incidence seems to be rising, perhaps as countries industrialise and adopt western cultural habits.

The possibility that diet is a cause has attracted much attention.

The big differences in incidence between Japan and the United States, for example, fit in well with the considerable differences in diet between the two countries. Americans eat more meat, less fibre and more fat than the Japanese. The New Zealand diet is broadly similar to that of the United States.

Animal fat and beef have been most clearly implicated as possible causes of bowel cancer, though the "low fibre" theory has had most publicity.

Research has focused on three ways in which diet may be a cause, namely that: people in countries of high risk may eat too much animal fat and cholesterol; too much red meat; or not enough fibre.

The food eaten inevitably affects the environment in the large bowel.

The "fibre" theory is that Western diets lacking in fibre slow down the passage of waste material from the body.

This gives the bacteria naturally present in the bowel more time to produce cancer-promoting substances, and more time for these substances to act on the cells lining the bowel.

Secondly, the amount and type of fibre in the diet is believed to influence the kinds of bacteria which grow in the gut and their ability to form cancer-causing substances.

A third consideration is that the bulk supplied by fibre and its ability to carry water "dilutes" these substances and makes them less harmful.

The problem with making this theory stick is that fibre is not one, but many substances.

All parts of cereal grains, vegetables, fruit and nuts and seeds which resist digestion are covered by the term and all have different physical and chemical properties.

Until the different components of fibre are better understood, direct evidence of its possibly preventive role in treating cancer of the bowel will be lacking.

The "high-fat" theory is supported by the fact that people who eat a diet high in animal fat excrete more bile acids in their faeces than those on low fat diets.

GOOD HEALTHKEEPING

Though normally present in the gut, high concentrations of bile acids are thought to enhance the action of the harmful substances produced by bacteria.

Americans and British generally have high concentrations of bile acids, Japanese and African low.

Similarly, controlled studies have shown that people who actually have bowel cancer have more bile acids in their faeces than those who are free of the disease.

The possibility that a high meat diet may cause bowel cancer is more difficult to explain.

Meat protein doesn't, like fat, increase bile acid in the faeces.

Since high meat diets are also usually high in fat, as in both the United States and New Zealand, some believe that the association of meat-eating with bowel cancer is coincidence, and that fat is the real culprit.

But not all countries that show the relationship get such a large proportion of their fat from meat.

Furthermore, animal studies have shown that high protein diets encourage the development of bowel cancer.

Possibly, both fat and meat protein may contribute to the development of the disease, while fibre protects against it.

The question is, should we change our diet to protect against bowel cancer, a relatively common disease to which "the majority of patients — eventually succumb"?

"HIGH-FAT" ... high risk?

Doctors vary in their enthusiasm for a preventive dietary approach from advocates of an extreme, near vegetarian, low fat, high cereal diet, to those who find the evidence insufficient to advocate any sweeping changes in eating habits.

A so-called "prudent diet" — low in calories, fat and cholesterol, and higher in fibre than what we eat at present, fits in well with preventive measures advocated for some of the other diseases of affluence — coronary heart disease, diabetes, diverticular disease, dental caries and obesity.

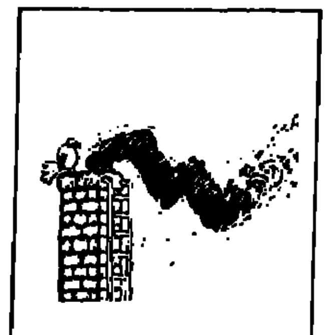
On the other hand, notes the NZMJ writer, "more cautious workers and politicians" might think that more precise knowledge is needed so that the problem can be tackled in an efficient and specific way.

Then, he asks, "what are we trying to achieve, especially if prevention involves major socio-economic changes?

"Cancer of the large bowel is after all a means of death, mostly affecting elderly people, and if it is prevented they will presumably die of another disorder, possibly less pleasant and in the end of comparable cost to the community."

Property owners push for energy incentives

by John Draper



THE ENVIRONMENT

ENERGY-conscious property owners are urging the Government to extend fuel saving incentives to non taxpayers.

Pension funds, charities and other non tax organisations do not qualify for the generous incentives given to taxpayers to cut down on fuel bills or switch to indigenous natural gas and liquid petroleum gas.

Backed by a Fletcher Group subsidiary, Energy and Security Management, several non-taxpaying organisations have been lobbying Energy Minister Bill Birch to amend the regulations.

Fletchers has a vested interest. It is marketing an energy management service which it claims will pay for itself in three years or less and offer savings of up to 50 per cent on fuel and power bills.

So far 13 buildings are being controlled in the Wellington region and seven in Auckland from two computers, which also control Fletchers' security service.

Theoretically one or other of the computers could control nearly every modern office building in the country plus all those in Sydney, through a network of special telephone cables.

By monitoring outside weather conditions and reactions on the office environment, the computer can optimise energy use.

For two years the Ministry of Works and Development has been seeking approval to plug into the system without success.

Despite a recommendation from senior levels within the Ministry, the Government has yet to allocate the $12,500 needed to install the control and monitoring equipment.

Fletchers claim their management could substantially cut the ministry's fuel and electricity bills — a saving that could be repeated on most modern Government office blocks.

The ministry has not however, been disregarding energy saving. Its first energy-conscious design, the Departmental Building at Wanganui goes out to tender shortly.

And better management of the few oil-heated buildings in the ministry's control have yielded savings of up to five per cent.

Chief building services engineer Bert de Liefde says many energy savings systems do not justify the extra capital cost. But the ministry is interested in trying out Fletchers' system.

Sales manager Rae Nield says savings are greatest on fully air conditioned buildings. In the past air conditioning systems have worked virtually in competition with heating systems, fighting to get a comfortable balance.

The result is a high-energy wastage as air is heated only to be cooled to the desired temperature.

Fletchers aims to reduce the running time on all boilers and chilling units, often from more than eight hours a day, down to three or four by automatic management.

Controllers at the computer centres in Auckland and Wellington are constantly monitoring the programmes in action, checking and calculating ways of improving performance.

The system can take up to four months to settle down as controllers get used to the building and its idiosyncrasies. Some successes have startled Fletchers, clients and the local power board.

ENERGY MANAGEMENT . . . central unit optimises energy use.

The all-electric air conditioned Auckland Downtown Shopping Centre was investigated by the Auckland Power Board when the monthly bill dropped by nearly 50 per cent.

Tax-paying property owners can claim a 100 per cent write off for the cost of control equipment in the first year.

But for the three building owners in four, who Nield claims do not pay tax, the incentives are of no value, and can act as a deterrent to some possible clients.

"The Government's view is that those that do not pay tax have no need of the incentive," Nield said.

Not all agree. The Presbyterian Church's Property Trustees whose new 14 storey Greenock House, between Lambton Quay and the Terrace in Wellington will be Fletcher's latest client, regard the division as inequitable.

Property Trustee secretary Jack Small said Trustees consider themselves responsible people and consider energy saving to be a national priority.

"And they are prepared to spend money to do it as it seems the right thing to do."

Fitting out Greenock House with the Fletcher system, solar window panes and other energy saving equipment will cost $70,000 for an energy saving of $16,000 plus at today's prices.

Energy Minister Birch has recognised that the trustees "are in a less favourable position than other tax paying organisations" under the current regulations and has promised a review.

Energy conservation grants may now be the hottest tip for next year's budget. A decision is unlikely before then.

"And don't forget the lei's pads, in case one of them has an idea."

Senate report opts for conservation and coal

by Everly Driscoll

CONSERVATION and the greater use of coal will cut the United States dependence on oil and cost less than developing synthetic fuel using today's technologies, according a cost analysis released by the American Senate.

"If any one aspect of energy has become clear, it is that no one programme will solve the energy crises," the report says.

The study on synthetic fuels was prepared at the request of the senate budget committee from reports by three private consultants and three congressional organisations.

The Synfuel Task Force analyses the economic costs of nine separate bills now being considered by congress.

It does not attempt to assess national security aspects of these proposals.

Under a phased approach, 10 to 12 commercial-sized synfuel plants would be built between now and 1985 to test the economic and technical feasibility of different synfuel processes before committing the nation to the construction of many large facilities.

The 10 plants together would produce the energy equivalent of about 300,000 barrels of crude oil a day by 1985.

They would also provide important information on technical and environmental problems involved in each process before large-scale investments were made.

In his original synthetic fuel proposal, President Carter had recommended an $88,000-million crash programme calling for the commissioning of 14 commercial-sized plants by 1981 and 20 more large facilities by 1984.

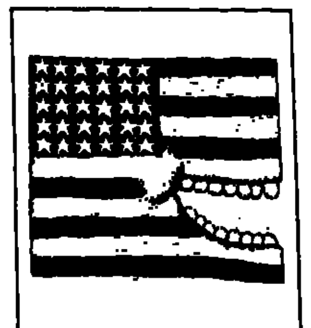
He has since agreed to a slower approach incorporating many of the proposals of the senate cost study.

Senator Gary Hart said a two-stage synfuel development programme would provide greater flexibility in meeting the nation's future energy requirements.

Senator Hart is chairman of the special subcommittee in charge of the study.

The slower approach would still meet the president's synfuel goal of producing 2.5 million barrels of oil equivalent a day by 1990, he said.

The Senate Energy Committee is expected to vote soon on a bill recommending the two-phase approach.



THE AMERICAS

Besides this legislation and the President's compromise proposal, the senate is considering seven bills, including one already passed by the House of Representatives.

"I believe the Senate will enact better legislation ... more compatible with other national goals ... now that we have this study," said Senator Hart.

The report concludes that the country does need a synfuel programme as part of its long-range energy strategy.

It "gives us for the first time a clear overview of the components of our energy dilemma", said Senator Pete V Domenici, another member of the subcommittee.

Senator William L Armstrong said one big conclusion "leaps out of the consultants' report: easy talk that synthetic fuels alone will solve our energy problem is not justified in the real world".

The consultants found that the nine bills under study would range in cost from $2000 million to $308,000 million by the year 2000.

But, they made no recommendations as to which bill to adopt.

Among the conclusions were:

- The proposed synthetic fuels programmes are likely to have little or no effect on inflation and employment.
- Constraints exist, beside price, that could impede the commercial development of a synthetic fuels industry, among them environmental concerns, government regulations and licensing restrictions. But the greatest impediment before 1990 "will probably be the construction industry's capability to engineer, design and construct plants," the report said.
- Price guarantees — under which the United States Government would assure that synfuel producers received a fixed price above the prevailing market price of oil — would be the most economically effective incentive (to private enterprise), but a variety of financial mechanisms would be needed to overcome financial barriers to stimulate production of synthetic fuels. These would include loan guarantees and tax credits.

JIMMY CARTER . . . agrees to slower approach.

The goal would be to stimulate a competing and diverse market comprised of both small and large synfuel producers.

President Carter's proposal depends for its funds on the establishment of an Energy Security Corporation to funnel funds to private industry from a "windfall profits" tax on domestic crude oil.

But the report indicates other means of stimulating private enterprise, including private investment capital.

"The money is available, but the market is fragile right now," said Domenici.

A final congressional synfuel bill would be one step toward strengthening that market, he said.

Finding the cream for that Pavlova Paradise

THE Pavlova Paradise quarter-acre dream house that turns seven out of 10 New Zealanders into investors has had its soft underside exposed by the National Housing Commission.

"The Price of Home Ownership", a consumers' guide to the real costs of buying a house, may well make some would-be buyers think again.

A big-time Sydney money-lender once said he had decided against buying a house at an early age because he had worked out that if he invested his money instead on the open market, he would be able to buy a house outright when he reached the age of fifty and still be in front.

That argument has some appeal. Should you ever get tied down by a mortgage that drastically affects your lifestyle or standard of living?

Are you as willing to change jobs, move overseas, or even have granny come to live with you, if it will mean that your once-in-a-lifetime investment will sell at a loss, or mean you have to give up the odd night on the town to keep up the mortgage payments?

The attraction of being able to ring up the landlord when the toilet is overflowing and, by right, tell him he had better get it fixed in a hurry, or have him drink your finest whiskey while he bores you with endless tales of bad tenants, is not to be put aside lightly.

Most of us are not big-time money-lenders, and if our hard-earned savings were invested anywhere else but in a house, we would probably do our dough.

That single-minded attention to investing, rather than frittering away, our disposable income, is really not everybody's bag.

But if you are tired of taking the landlord's choice of wallpaper and are contemplating your first venture on to the property market, or have already tiptoed into the garden of valuations, rates, and repayments, and are now counting the cost, take heed from the National Housing Commission's warning:

"There's a widespread belief that ownership of one's own home is a right. Whilst it could be claimed that the individual has some right to be housed, in fact the right is more correctly described as that of shelter, and that of ownership as one obtained only by the ability and willingness to pay for it."

Commission director Brian Conroy, who researched and wrote the guide, says: "Home buyers of 10 years ago hit the boom of the seventies and found their debt halved overnight.

"Their $14,000 house, bought on a non-renewable mortgage of 6 per cent or 7 per cent, jumped to $28,000 or $30,000 and there was no way the lender could recover any more from them. They were making a profit while inflation took care of their debt."

Conroy says there is still an inbred belief that the way to make your way in life is through the purchase of a home and there is a stigma against renting.

The commission, is worried, however, about those people who are rushing into buying a home without doing their sums.

As Conroy says: "It's not just a matter of meeting the payments of one or more mortgages, but the cost of feeding a house."

According to the guide, some typical examples of what you will have to pay to meet the fodder bills are laid out in Table One.

Table One

A 12 YEAR OLD WEATHERBOARD HOUSE IN A DORMITORY SUBURB

Price:	$28,000
Deposit from savings	$5,000
First Mortgage: Housing Corporation 30 year loan at 9 per cent	$20,000
Second Mortgage: Post Office Savings Bank 5 year loan at 11 per cent	$3,000
At the end of 30 years . . .	
Total repayments and savings deposit	$66,868
Rates, insurance	$10,872
Maintenance (painting, re-roofing etc.)	$10,500
Paid off after 30 years:	Cost: . .$88,240

What about joining the madding crowd in the rush to "do up" that little "run down" house in the inner city?

Table Two shows what that might cost you.

As the guide says, these examples will undoubtedly be challenged by some people trying to sell you property.

Those maintenance costs look a bit high.

But Conroy counters by pointing out they are based on the opinions of experienced Housing Corporation and Local Authority property officers who estimate maintenance at between 1 per cent and 1½ per cent of the property value.

The guide suggests that if your sums are challenged by people trying to sell, you counter challenge that they demonstrate to your satisfaction that they can give you a better deal.

The National Housing Commission already has 20 reports published. Putting out a consumers guide, however, is a departure.

The commission is better known for its five-year blueprint for housing policy, issued in March last year and its investment into housing research.

A considerable amount has gone the way of sociologists and economists who have produced such titles as "Housing preferences in New Zealand" and "Sources of Housing Finance".

Given the usual gestation period of between two and three years for major commissioned studies to produce an outcome, the seeding work of the early years is now paying off and commission research reports are now rolling off the Government printing presses at an increasing rate.

Coming out soon are reports on urban renewal and housing needs for special groups like the handicapped and solo parents as well as the first of a series of 12 reports on the state of housing in 12 regions.

For the first time, they will give a proper stocktaking of the age and condition of housing in the regions and are written with the growing breed of regional planners in mind.

But if in the past the commission has put its resources into back room research, it showed in May this year it was ready to come out of the closet, when it ventured into the consultative planning business.

For a day-long seminar it brought together some 200 people involved in the mortgage market to see what came out of having bankers, real estate agents, solicitors and academics exchange ideas and cross swords over the ideal future for housing finance.

Out of this came the commission's recommendations to the Minister of Housing for the return to the single mortgage concept, the introduction of transferable and inflation proofed mortgage arrangements and the suggestions for more advice to would-be home buyers.

Pressure from local bodies, solicitors and real estate agents at the seminar backed up the commission's growing conviction, gained from submissions from welfare agencies, that something is needed at an earlier stage for the apparently growing number of welfare clients who can't service their mortgage repayments.

Like the best of consumer guides, the strength of this booklet lies in its easy to follow language.

It takes you from the "thinking about" stage to the "paid off" stage and points out the invisibles on the way.

At the buying stage, for example, there is the transfer fee (from $150 for a $20,000 house to $288 for the $50,000 one) and the mortgage memorandum fee, ($140 on the $18,000 mortgage to just over $200 on the $20,000 one).

Then there's the few dollars here and there for the land transfer fee, the mortgage deed duty and the transfer deed duty.

The quick calculation tables for flat and table mortgages at different interest rates and over different periods are useful for juggling the first and second mortgages up to the affordable limit of weekly outgoings.

But how realistic is the suggestion that the houseowner build up a weekly maintenance fund to pay for the emergency jobs? Very likely it would be depleted from paying the last job before it built up to meet the next one.

No doubt there will be many ready to nit-pick the figures. But the commission has shown it is ready to move out of the area of research to provide more and more information for academics and planners, and into the real world of buying and selling.

So what about that problem, posed by the Sydney money lender — to rent or buy?

The commission so far is talking social generalities.

"It is possible that people, especially young couples, are changing their priorities on how to spend their disposable income . . . the days of buying a house and fittings before you announced your engagement are gone . . . nowdays the car or stereo could be taking a higher place than the section or the house in the household priority listing."

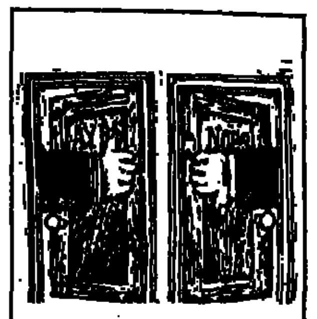
Table Two

A 60-YEAR-OLD WEATHERBOARD HOUSE ON SMALL INNER CITY SECTION — REQUIRES MODERNISATION AND SOME REHABILITATION

Price:	$18,000
Deposit from savings	$6,000
First mortgage: Building Society 15 year loan at 12½ per cent	$12,000
Second mortgage: Housing Corporation Home Improvement Loan. 15 years at 10 per cent	$10,000
At the end of 15 years . . .	
Total repayments including deposit	$46,363
Rates, insurance	$3,258
Maintenance	$3,752
Paid off after 15 years	Cost: . .$53,373

Social Credit wave builds National tensions

by Colin James



POLITICS

BOTH the Labour and National Parties continue worried about Social Credit — and it seems they have good reason to be.

The latest Heylen poll suggests the Social Credit wave, far from receding, is rolling on.

And soundings by some people in the parties themselves lend support to the Heylen finding.

Over the past few months, the Labour Party has been paying much more attention than usual to the Social Credit belt that covers the north-western half of the North Island.

Leader Bill Rowling has been visiting towns in electorates like Hauraki seeking out and offering moral support to beleagured labour forces.

A three-man task force headed by junior whip Richard Prebble earlier this month toured North Auckland, hotbed of Social Credit.

Another observer, whose judgment I regard as reliable and who has been through the Social Credit belt recently, considers Social Credit is continuing to gain in strength in North Auckland and is holding and maybe growing in the Waikato and Taranaki.

This observer, not a Social Crediter, thinks National is seriously at risk in North Auckland.

National Party sources suspect that throughout the Social Credit belt there are now considerable numbers of "Taihape blue dots" — a reference to known National Party supporters in Taihape who voted for Bruce Beetham in Rangitikei last year.

Social Credit itself earlier this month moved to strengthen its representation in North Auckland, appointing its finance spokesman and parliamentary research officer Les Hunter as candidate in Bay of Islands, the northernmost seat.

Last year's performance in Bay of Islands, where there was discontent over the candidate selected, Guy MacPherson, disappointed league supporters. They felt that with a stronger candidate they could have at least come close to winning.

Hunter should provide a stronger candidacy.

The league also continues to gain in membership. According to head office administrator Ada Rose the rise in membership — against the usual trend for a fall in the year after an election — has been more than 5 per cent this year.

Probably in seats like Kaipara a fair number of these also are National Party members having a bob-each-way. If your neighbour is a strong Social Crediter and the chairman of your local dairy coop is a National bigwig, it makes for a quieter life to belong to both.

But it nevertheless supports league contentions that its star is getting brighter.

And for every 1 per cent nationwide that their support rises, support in the key seats probably goes up by several percentage points.

It is against this background that the Heylen figures, taken mainly in the cities, need to be read. Any rise Heylen records may mask a greater rise in places like Hauraki or the Bay of Islands.

The actual figures of percentage support are not in themselves very important (though Heylen's last poll the week before the last election was very close to the actual result).

What is more important is the trends. To get a rough idea of what is happening lay a ruler on the lines in the graph.

From late 1977 the overall trend in the Social Credit line is up. The overall trend in the National line is down and that in the Labour line is roughly horizontal.

If those trend lines continued for the next two years they would take Social Credit up into the 30 to 35 per cent bracket, National down into the same bracket and leave Labour in the 35 to 40 per cent range.

Translated into votes such support would turn New Zealand parliamentary politics upside down, shattering the two-party setup both main parties have an important stake in.

Of course, it is not as simple as that. Drawing trend lines depends much on where you start. Trends based on 1979 movements only would tell a slightly different story.

And there is no knowing when the trends will change, though what looked as if it might be the beginnings of a change in mid-1979 now turns out to have been only a hiccup.

Nevertheless, there is good reason for both parties to be worried.

Labour does not at the moment stand to lose seats to Social Credit. But for Social Credit to win or come a close second in a National seat it must first collapse the Labour vote.

Social Credit did this in Rangitikei and Kaipara last year and partially achieved it in other electorates where it did well.

The danger for Labour — which the party has recognised by including attacks on Social Credit strongholds in its marginal seats strategy — is that if it is decimated in the countryside and smaller towns, there may be a flow-on effect into nearby National-Labour marginals.

Three cases in point: Whangarei, Hamilton and New Plymouth.

The danger for National is that a strong Social Credit puts its right flank at risk at the very time that its left flank is exposed to Labour in the marginals.

Trying to hold the line on the left may make the right so vulnerable that National loses seats to Social Credit.

On the other hand, trying to recapture ground on the right may lose ground on the left and lose seats and power to Labour.

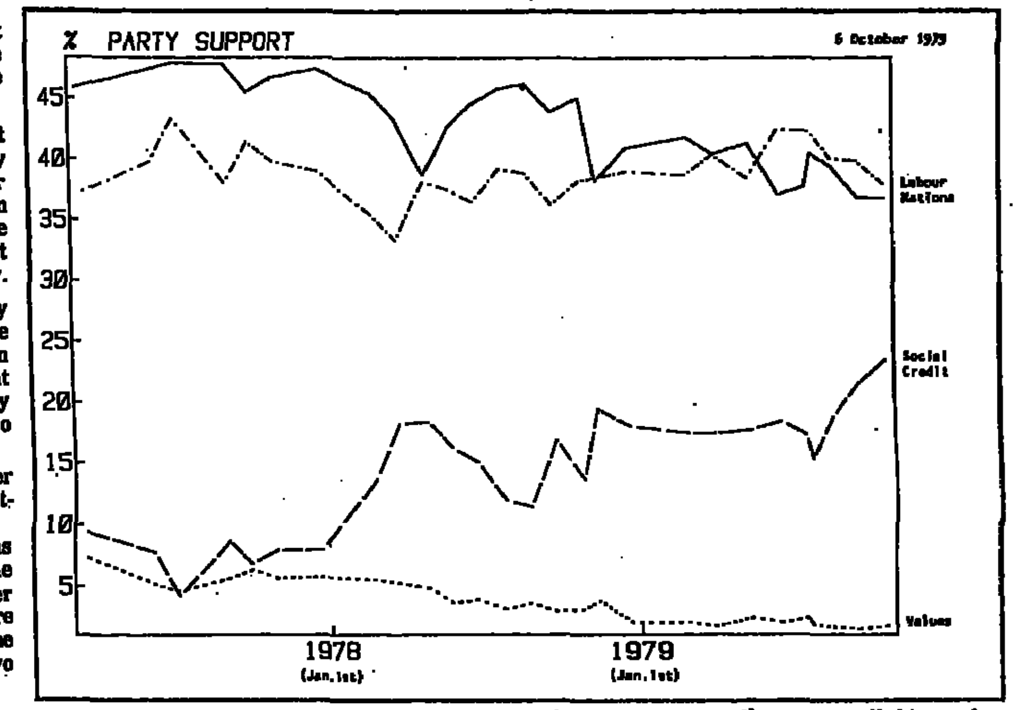
This dilemma has caused considerable tension in the party. Many of the rank and file share party president George Chapman's belief that if deserters to Social Credit are [illegible]

discouraged the party must vigorously reassert its private enterprise-individual initiative anti-state principles.

It is at this point that strategy and policy intermingle. Prime Minister Robert Muldoon resents an apparent intrusion by the party organisation into what he feels should be his territory.

According to parliamentary sources, this has led to some bruising encounters between Chapman and Muldoon that has brought their already shaky relationship close to breaking point.

After one such encounter a long-awaited caucus meeting, which Chapman was to address on strategy, was cancelled, much to the embarrassment of a number of MPs who do not share Muldoon's rigid view of the distinction between the two roles.



There is a strong belief that the gut reason for National's vulnerability to Social Credit is a hardening, and sometimes irrational, anti-bureaucracy feeling that can only be countered by bold measures at Government level.

In association with National Business Review, the Heylen Research Centre is now collecting information which may throw some light on why Social Credit support is growing. This will be dealt with in future articles.

Combo cover distorts value

LETTERS

THE NBR October 3 ran an article headed, "Term policy combines with super as life cover".

Several points raised deserve to be challenged because they appear to present a distorted view of the value of basic life insurance and its importance in our economy.

Some journalists when they launch a case on life insurance embark upon uncharted waters and generally founder when they try to compare life insurance with other investments. This is like trying to compare apples with pears.

Despite the priority which traditional life insurance should have in individual financial planning for most people, there may still be concern about the effects of inflation on life insurance contracts.

We need to understand that life insurance is far from being a poor hedge against continuing inflation. Indeed, life insurance can prove to be a very good hedge against inflation for these reasons:

● Life insurance contracts are based on the level premium method whereby the premium cost remains constant throughout the term of the contract. If inflation continues, it simply means that the policy-owner is using 'discounted' dollars each year to create the increasing insurance values.

● Life insurance is one of the few remaining services in our economy where the dollar premium cost has remained constant over the past 25 years or more. Consequently, policyowners have been able to purchase more life insurance at a level premium rate to offset the effects of inflation.

● Participating life insurance enables the policy-owner to earn his share of higher investment yields from company investments by way of a tax free annual bonus as well as any savings gained from the mortality fund and savings in expenses, along with his allowable tax saving from premiums paid. In addition the claim or maturity proceeds are tax free.

The life insurance industry has an enviable record of performance in the investment aspect of its operations for well over a century in New Zealand. Stability has been the keynote.

Throughout wars, depressions, economic crises of all kinds, the professional investment experts in the life insurance companies have proved their skill and competence.

It is clear that life insurance contracts must continue to be the prime means of guaranteeing the basic level of security which is required in the financial planning of most individuals.

Term insurance has its place. It has a vital role to play in giving temporary protection against temporary needs where the policy holder is unable to afford the protection by means of basic insurance.

In other words, he is only renting the security he needs.

The statement in the article of October 3: "The need for his death cover has been diminished by last year's Budget's virtual abolition of death duties", is in fact more apparent than real.

The reason is that the statement takes no account of the effects of inflation. Using a nominal rate of 7 per cent inflation the value of an estate will double over the next [illegible] years.

So, in 1982 with inflation currently heading towards [illegible] per cent we can expect [illegible] little gain, if any, on the death duties problem.

The exemption may be [illegible] but the estate continues [illegible] grow. Apart from that, [illegible] change in Government [illegible] could find us back to square one.

Finally, the scheme illustrated in graph [illegible] combining term insurance with superannuation is [illegible] new.

Funds managed by life offices which reflect the immediate movement in [illegible] equities and other securities [illegible] the portfolio are recorded [illegible] weekly basis. Also, the [illegible] life cover is based on a cheaper rate than term insurance [illegible] the open market.

In addition, there is no entrance fee charged, [illegible] management fee payable to [illegible] outside fund manager.

Tables showing the effect [illegible] a 10 per cent a year earning rate on an annual investment of a given amount always [illegible] attractive at face value.

But the end result projected may bear no relation to the eventual earning rate of the fund at the end of the term.

In the last 20 years we have seen a rash of 'get rich quick' deals, but, as the economic tide ebbs and flows it has been strewn with the wreckage of [illegible] number of ill [illegible] propositions.

Caveat Emptor.

George B Harper
Insurance Consultant
Wellington

MPs support bill principles

IN NBR of October 17, [illegible] James took a fair swipe at [illegible] National Development Bill. We agree with him on one thing — the Bill is immensely important—and therefore the case for the Bill should be clearly stated.

Major projects can take years to battle through the jungle of planning procedures and approvals required before work can commence. Delays in getting on with new industries mean delays in new jobs being created, cause holdups in major energy projects, and are holding down the standard of living.

At the same time, present planning procedures don't permit environmental aspects of projects to be publicly examined in an adequate way.

The whole planning situation needs reform, but this would take several years. In the meantime a number of vital projects could be held up. New Zealand cannot afford this possibility.

The National Development Bill brings together all matters required to be considered in determining whether a project should proceed. In so doing better decisions should result and years of delay avoided.

Evaluation of all aspects of major projects such as methanol plants is a highly complex business. The Planning Tribunal (especially if augmented by assessors as provided in the Bill) is much better equipped to calmly and dispassionately examine such projects than are Select Committees of Parliament which operate in a more highly charged political atmosphere.

The Planning Tribunal procedures enable full cross examination of witnesses by interested parties to take place, and the Bill gives the right to major interest [illegible] to give evidence [illegible] examine other witnesses.

The Commissioner for the Environment has [illegible] [illegible] been given [illegible] before the Tribunal [illegible] will be open to cross-examination on his audit of the environmental impact report. The impact report and audit will be publicly available before hearings take place. In fact, the hearings cannot start until the environmental procedures are complete.

The record of Planning Tribunals suggest that a sound impartial assessment will be made of energy projects.

The Tribunal will be required to take into account a very wide range of consideration, as laid down in up to 28 Acts. No doubt the Tribunal would as it has in the past, restrict itself to matters strictly related to the project in question.

But the planning requirements of the Town and Country Planning Act would continue to take into account economic and social aspects which are inherent in the planning process. This means that all the implications of the project will be reported on.

The Bill actually restrains Government powers rather than extending them. In the two major Acts dealt with in the Bill (The Town and Country Planning Act and the Water and Soil Conservation Act) Government decisions can presently be made without any legal requirement for public hearings.

The National Development Bill will force Government to provide full information, have it examined in public by an independent Tribunal, and face up to public report from the Tribunal.

This effectively provides for a check on arbitrary secret decision making by the State. Most of the procedures leading to consents under the other 26 Acts are presently dealt with in private.

The Bill provides for an appeal to the Supreme Court to *make sure* that the Tribunal in carrying out its role, doesn't take action beyond the law. But it will prevent the merits or demerits of a project being argued again and again in different courts. Everyone will have their day in court, but not 10 years.

The objective of the National Development Bill is to make better use of our scarcest resource—time. It seeks to give better consideration to environmental issues.

It makes a start in clearing up poor planning procedures put together in an ad hoc way over many decades.

The Bill may well be modified in some respects in the light of public submissions. But we believe that the principles in the Bill are sound and that it is necessary.

Doug Kidd MP
and Ian McLean MP

Insurance Investment

I WRITE in regard to an article by Warren Berryman (NBR October 3) entitled "Term policy combines with super as life cover". A more balanced presentation of additional important underlying facts would have been of great benefit to readers not familiar with the topics under discussion.

While there is a place for the type of investment Mr Berryman has suggested — it commends itself in particular to those of modest means without family responsibility who are working toward retirement, facts and common sense would indicate that the place for such an investment is not as great as the article would have your readers believe.

To compare the tax free life policy yield of 5 per cent with a Government Stock of 13 per cent is misleading. A person on a tax rate of 60 cents in the dollar on the top portion of his income who invests in Government Stock at 13 per cent will be left with a net return of only 5.2 per cent after tax.

There has been no "virtual abolition" of estate duty. A person dying today with a dutiable estate of $300,000 would have a duty liability of $72,500, (with a full widow's exemption this is $340 more than before the 1979 Budget). Taking Mr Berryman's figure of 18 per cent inflation, in three years' time this estate could have increased to $490,000, which at the new rates would then attract a duty liability of $96,000. Dutiable estates with a current value of $300,000 are not uncommon at present.

The following points should be noted:

● Mr Berryman's high annual yields and large figures (some of them wrong) look impressive, but they are nothing more than estimates — nothing is guaranteed. Once allotted, bonuses on permanent assurance policies are guaranteed.

● The investment of $850 per annum in the manner suggested by Mr Berryman at a compound yield of 10 per cent per annum for 40 years to produce $374,500 is an inaccurate mathematical calculation only.

● In a super scheme such as the article describes a person's contributions are "locked in" until age 60 years — unless he goes overseas permanently or dies.

● It would be surprising to meet a person who planned to withdraw from a retirement fund at the age of 75 years, unless he were planning to become a centenarian. Age 65 years would be more realistic. An investment by a 35-year-old of $850 per annum compounded at 10 per cent per annum for 20 years and then left to accumulate at 10 per cent for a further 10 years would yield $138,900 (not over $200,000 as shown on Mr Berryman's misleading graph).

● A super scheme always forms part of a person's estate. If death occurred at age 65, estate duty could reduce an accumulation of $138,900 in a super fund to less than $84,000. By this point in time the suggested $50,000 term insurance would have expired. In comparison a $50,000 whole of life policy (with a compounding bonus rate of $26 per annum per one thousand) taken by a 35-year-old could be held outside his estate and at age 65 would have a claim value of $108,000.

● In the economic uncertainty which lies ahead of us all infinitely more importance should be placed on security and guaranteed results.

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